

IMF World Economic Outlook (WEO), January 2024

**Global Economy is projected to grow at 3.1% in 2024 and 3.2% in 2025.
India to grow at a rate of 6.5% in 2024 and 2025.**

Projected Global Economy Growth: (+) 3.1% in 2024, (+) 3.2% in 2025 which is 0.2% higher from that predicted in IMF-WEO, October 2023.

→ According to the flagship report of IMF (Jan edition) - 'World Economic Outlook- Moderating Inflation and Steady Growth Open Path to Soft Landing' published in January 2024, the global economy is projected to grow at 3.1% in 2024 and 3.2% in 2025 (**Refer Table 1**). Compared to the October 2023 WEO, the 2024 forecast is 0.2 percentage point higher. This projection is driven by greater than expected resilience shown by the USA and several large emerging markets and developing economies mainly because of recovery from COVID-19, Russia-Ukraine tensions, and the cost-of-living crisis. Fiscal support in China has also contributed to economic stability.

→ Emerging market & developing economies are projected to remain at 4.1% in 2024 and rise to 4.2% in 2025. The 2024 growth forecast has been revised upward by 0.1 percentage point since October 2023 reflecting upgrades in several regions.

→ For the advanced economies, the report projects a slight decline in growth from 1.6% in 2023 to 1.5% in 2024 and rising to 1.8% in 2025. The upward revision of 0.1 percentage point for 2024 is due to stronger-than-expected US growth, although it is partially offset by weaker growth in the euro area.

Projected Growth in Advanced Economies is (+) 1.5% and EMDEs (+) 4.1% in 2024.

→ **Advanced Economies** are projected to slow to (+) 1.5% in 2024 which includes the USA (+ 2.1%), Japan (+ 0.9%), the United Kingdom (+ 0.6%), and Euro Area (+ 0.9%).

→ The group of **developing economies** are projected to remain at (+) 4.1% in 2024.

Projected Growth in Global Trade is (+) 3.3% in 2024 and (+) 3.6% in 2025.

→ Global trade growth is projected to grow at 3.3% in 2024 and 3.6% in 2025, which is below the historical average growth rate of 4.9%. Trade distortions and geoeconomic fragmentation are expected to continue affecting global trade. Also, as per Global Trade Alert data, a significantly higher number of new trade restrictions have been imposed by countries in recent years. To be precise, in 2022, there were about 3,200 new restrictions and in 2023, about 3000 new restrictions.

Indian economy is expected to remain strong at 6.5% in 2024 & 2025 which is an upgrade of 0.2% from that predicted in IMF-WEO, October 2023.

→ Growth in India is projected to remain strong, largely driven by resilience in domestic demand.

Trends in major economies

1. United States:

- In 2023, the U.S. economy is expected to grow at a rate of 2.5 percent.
- However, in 2024, growth is projected to slow down to 2.1 percent. This deceleration is attributed to the lagged effects of monetary policy tightening, gradual fiscal adjustments, and a softening labor market.
- Looking ahead to 2025, the growth rate is anticipated to further decline to 1.7 percent.
- Notably, the upward revision for 2024 is influenced by statistical carryover effects from stronger-than-expected growth in 2023.

2. Euro Area:

- The Euro Area experienced a low growth rate of an estimated 0.5 percent in 2023, largely due to its relatively high exposure to the war in Ukraine.
- However, the outlook improves in 2024, with projected growth of 0.9 percent. This recovery is driven by stronger household consumption as the effects of energy price shocks subside.
- By 2025, the Euro Area is expected to achieve a growth rate of 1.7 percent.
- It's worth noting that the 2024 growth projection has been revised downward by 0.3 percentage point compared to the October 2023 forecast, primarily due to carryover effects from weaker-than-expected outcomes in 2023.

3. United Kingdom:

- The U.K.'s growth in 2023 is estimated at 0.5 percent.
- Moving into 2024, there is a modest rise to 0.6 percent as the negative effects of high energy prices gradually wane.
- By 2025, growth is expected to reach 1.6 percent, supported by disinflation, and improved financial conditions.
- However, the markdown to growth in 2025 (0.4 percentage point) reflects reduced scope for catch-up growth based on recent statistical revisions.

4. Japan:

- Japan's growth rate in 2023 stands at 1.9 percent.
- In 2024, growth is projected to decelerate to 0.9 percent. Factors contributing to this include the fading of one-off effects (such as a depreciated yen, pent-up demand, and business investment recovery).
- Looking ahead to 2025, Japan's growth is expected to be 0.8 percent.

5. China:

- 2024: Projected growth rate of 4.6 percent, with an upward revision from the October 2023 forecast.
- This upgrade is influenced by carryover effects from stronger-than-expected growth in 2023 and increased government spending on capacity building against natural disasters.
- 2025: Expected growth at 4.1 percent.

6. Russia:

- 2024: Projected growth at 2.6 percent, with a significant upward revision from the October 2023 figure.
- This reflects carryover effects from stronger-than-expected growth in 2023, driven by high military spending and private consumption, supported by wage growth in a tight labor market.

7. Latin America and the Caribbean:

- 2024: Growth expected to decline to 1.9 percent, reflecting negative growth in Argentina due to policy adjustments for macroeconomic stability.
- However, by 2025, growth is projected to rise to 2.5 percent.

8. Brazil and Mexico also see upgrades (0.2 and 0.6 percentage points, respectively) due to carryover effects from strong domestic demand and growth in trading-partner economies in 2023.

Major observations of the report

The key observations of the report reflecting insights into the economic dynamics and challenges faced by countries worldwide are: -

- Projected global growth rate of 3.1% in 2024 & 3.2% in 2025, is below the historical average due to restrictive monetary policies, reduced fiscal support, and low underlying productivity growth.
- The upward revision of 1.5% for 2024 in projected growth rate for advanced economies, reflects stronger-than-expected US growth, partially offset by weaker euro area growth.
- Projected world trade growth of 3.3% in 2024 & 3.6% in 2025 is below the historical average growth rate of 4.9 percent which will continue to be impacted by rising trade distortions and geoeconomic fragmentation.
- Moderating inflation and steady growth create a favourable path for a **soft landing**.
- Policymakers need to balance inflation containment with supporting economic recovery.

Table 1. Overview of the World Economic Outlook Projections					Difference from October 2023 WEO Projections 1/		Q4 over Q4 2/		
		Estimate	Projections				Estimate	Projections	
	2022	2023	2024	2025	2024	2025	2023	2024	2025
World Output	3.5	3.1	3.1	3.2	0.2	0.0	3.1	3.1	3.1
Advanced Economies	2.6	1.6	1.5	1.8	0.1	0.0	1.6	1.6	1.7
United States	1.9	2.5	2.1	1.7	0.6	-0.1	2.9	1.5	1.9
Euro Area	3.4	0.5	0.9	1.7	-0.3	-0.1	0.2	1.5	1.6
Germany	1.8	-0.3	0.5	1.6	-0.4	-0.4	-0.1	1.1	1.9
France	2.5	0.8	1.0	1.7	-0.3	-0.1	0.6	1.4	1.8
Italy	3.7	0.7	0.7	1.1	0.0	0.1	0.2	1.3	1.0
Spain	5.8	2.4	1.5	2.1	-0.2	0.0	1.5	1.8	2.1
Japan	1.0	1.9	0.9	0.8	-0.1	0.2	1.4	1.6	0.5
United Kingdom	4.3	0.5	0.6	1.6	0.0	-0.4	0.9	0.6	1.8
Canada	3.8	1.1	1.4	2.3	-0.2	-0.1	1.1	1.9	2.2
Other Advanced Economies 3/	2.7	1.7	2.1	2.5	-0.1	0.2	1.5	2.6	2.0
Emerging Market and Developing Economies	4.1	4.1	4.1	4.2	0.1	0.1	4.3	4.3	4.1
Emerging and Developing Asia	4.5	5.4	5.2	4.8	0.4	-0.1	5.2	5.5	4.7
China	3.0	5.2	4.6	4.1	0.4	0.0	5.4	4.4	4.0
India 4/	7.2	6.7	6.5	6.5	0.2	0.2	5.0	7.8	6.7
Emerging and Developing Europe	1.2	2.7	2.8	2.5	0.6	0.0	4.1	2.0	2.9
Russia	-1.2	3.0	2.6	1.1	1.5	0.1	4.4	1.4	1.0
Latin America and the Caribbean	4.2	2.5	1.9	2.5	-0.4	0.1	2.2	1.7	2.6
Brazil	3.0	3.1	1.7	1.9	0.2	0.0	2.3	2.6	1.4
Mexico	3.9	3.4	2.7	1.5	0.6	0.0	3.4	1.9	1.4
Middle East and Central Asia	5.5	2.0	2.9	4.2	-0.5	0.3	...	...	...
Saudi Arabia	8.7	-1.1	2.7	5.5	-1.3	1.3	-4.5	2.8	5.4
Sub-Saharan Africa	4.0	3.3	3.8	4.1	-0.2	0.0	...	...	...
Nigeria	3.3	2.8	3.0	3.1	-0.1	0.0	2.7	3.3	2.9
South Africa	1.9	0.6	1.0	1.3	-0.8	-0.3	1.0	1.2	1.3
<i>Memorandum</i>									
World Growth Based on Market Exchange Rates	3.0	2.7	2.6	2.7	0.2	0.0	2.7	2.5	2.6

European Union	3.6	0.6	1.2	1.9	-0.3	-0.2	0.7	1.4	2.3
ASEAN-5 5/	5.5	4.2	4.7	4.4	0.2	-0.1	4.1	5.2	3.5
Middle East and North Africa	5.6	2.0	2.9	4.2	-0.5	0.3	...	...	...
Emerging Market and Middle-Income Economies	4.0	4.2	4.0	4.0	0.1	0.0	4.3	4.3	4.1
Low-Income Developing Countries	5.2	4.0	5.0	5.6	-0.1	0.0	...	...	...
World Trade Volume (goods and services) 6/	5.2	0.4	3.3	3.6	-0.2	-0.1	...	...	...
Advanced Economies	6.1	0.3	2.6	3.2	-0.4	-0.1	...	...	...
Emerging Market and Developing Economies	3.7	0.6	4.5	4.4	0.2	0.0	...	...	...
Commodity Prices									
Oil 7/	39.2	-16.0	-2.3	-4.8	-1.6	0.1	-2.8	-6.1	-4.9
Nonfuel (average based on world commodity import weights)	7.9	-6.1	-0.9	-0.4	1.8	-0.3	-2.0	1.5	0.2
World Consumer Prices 8/	8.7	6.8	5.8	4.4	0.0	-0.2	6.0	5.3	3.8
Advanced Economies 9/	7.3	4.6	2.6	2.0	-0.4	-0.2	3.1	2.3	2.0
Emerging Market and Developing Economies 8/	9.8	8.4	8.1	6.0	0.3	-0.2	8.4	7.7	5.2

Analysis By: Statistics & Research Division, GJEPC