

IMF World Economic Outlook (WEO) Update The Global Economy in a Sticky Spot

**Global Economy to grow at 3.2% in 2024 and 3.3% in 2025.
India to grow at a rate of 7% in 2024 and 6.5% in 2025.**

Projected Global Economy Growth: (+) 3.2% in 2024, (+) 3.3% in 2025, similar to the April 2024 forecast.

➔ According to the IMF's report- **World Economic Outlook (WEO) Update for July 2024**, titled *The Global Economy in a Sticky Spot*, the global economy is projected to grow at 3.2% in 2024 and 3.3% in 2025, maintaining the same forecast as the April 2024 WEO. The IMF's update views that while emerging markets like China and India drive global growth, advanced economies face slower momentum due to inflationary pressures and tighter fiscal policies. A key concern is the persistence of services price inflation, complicating monetary policy normalization and keeping interest rates elevated for longer.

Indian economy is projected to grow at a robust rate of 7% in 2024 & 6.5% in 2025, reflecting strong domestic demand and favorable demographic trends.

- ➔ **India's projected growth:** 7.0% in 2024, driven by strong domestic consumption.
- ➔ **Key growth drivers:** Resilient demand & improved prospects for private consumption, especially in rural areas, and favorable demographics (rising working-age population and labor force participation).
- ➔ **Government policies:** Infrastructure investments and business reforms are supporting economic expansion.

Key Projections: -

Global Economic Growth:

2024: 3.2%
2025: 3.3%

India:

2024: 7%
2025: 6.5%

Emerging Market and Developing Economies (EMDEs):

2024: 4.3%
2025: 4.3%

Advanced Economies:

2024: 1.7%
2025: 1.8%

Major observations of the report

→ Global Growth Projections:

The global economy is projected to grow by 3.2% in 2024, reflecting stability but with growth distribution differences and 3.3% in 2025, driven by a rebound in Asia and resilient domestic demand in emerging markets.

→ Emerging Market and Developing Economies (EMDEs):

EMDEs are expected to grow by 4.3% in 2024 & 2025. Countries like China (5.0%) and India (7.0%) will lead the global growth, powered by strong domestic consumption and export performance.

→ Advanced Economies:

Growth in advanced economies is projected at 1.7% for 2024, with slight improvements to 1.8% in 2025. Slower-than-expected growth in the U.S. and Japan has been offset by stronger performance in Europe and other regions, driven by an improvement in the services sector.

→ Global Trade:

After quasi-stagnation in 2023, global trade expected to grow at 3.1% in 2024 and 3.4% in 2025, driven by strong exports from Asia, particularly in the technology sector, despite headwinds from protectionist measures. Although services exports are performing well, global manufacturing remains sluggish, limiting trade growth

→ Inflation Trends

- Global Inflation: Although inflation is gradually receding, it remains elevated, especially in emerging markets. The global inflation rate is projected to fall to 5.8% in 2024 and 4.4% in 2025, driven by cooling energy prices and the tightening of monetary policies.

→ Monetary Policy and Financial Stability

The persistence of inflation has led to delays in monetary policy normalization, with central banks likely to keep interest rates higher for longer.

Global financial conditions remain accommodative due to strong corporate earnings, but rising yields pose risks to fiscal stability, especially for high-debt countries.

→ Policy Recommendations:

Policymakers should focus on maintaining inflation control without stifling growth. Structural reforms are needed to address productivity challenges, and multilateral cooperation is crucial to manage trade-related risks and global challenges like climate change.

Trends in major economies

Advanced Economies:

United States: Growth has been revised down to 2.6% for 2024, with a slowdown expected in consumption. Inflation remains elevated, delaying policy normalization.

Euro Area: Modest recovery, with growth at 0.9% in 2024. Services sector resilience is a key driver, but manufacturing remains a drag, especially in Germany.

United Kingdom: Projected to grow by 0.6% in 2024 and 1.6% in 2025, supported by disinflation and improved financial conditions.

Japan: Growth in 2024 is revised down by 0.2 percentage points due to temporary supply disruptions and weak private investment in the first quarter. However, a strong shunto wage settlement is expected to boost private consumption in the second half.

Emerging Markets:

China: Revised growth forecast of 5.0% for 2024, driven by a surge in domestic consumption and a recovery in exports. However, this momentum is expected to slow to 4.5% in 2025.

Latin America and the Caribbean: Growth is revised down in 2024, in Brazil due to the impact of flooding and in Mexico due to weakened demand. However, Brazil's 2025 growth is revised up, reflecting post-flood reconstruction and stronger hydrocarbon production.

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Overview of the World Economic Outlook Projections-July 2024
(Percent change, unless noted otherwise)

			Projections		Difference from April 2024 WEO Projections 1/		Q4 over Q4 2/ Projections		
	2022	2023	2024	2025	2024	2025	2023	2024	2025
World Output	3.5	3.3	3.2	3.3	0.0	0.1	3.3	3.2	3.2
Advanced Economies	2.6	1.7	1.7	1.8	0.0	0.0	1.7	1.8	1.8
United States	1.9	2.5	2.6	1.9	-0.1	0.0	3.1	2.0	1.8
Euro Area	3.4	0.5	0.9	1.5	0.1	0.0	0.2	1.5	1.5
Germany	1.8	-0.2	0.2	1.3	0.0	0.0	-0.2	0.8	1.7
France	2.6	1.1	0.9	1.3	0.2	-0.1	1.2	0.8	1.5
Italy	4.0	0.9	0.7	0.9	0.0	0.2	0.7	0.5	1.3
Spain	5.8	2.5	2.4	2.1	0.5	0.0	2.1	2.3	2.1
Japan	1.0	1.9	0.7	1.0	-0.2	0.0	1.2	1.6	0.3
United Kingdom	4.3	0.1	0.7	1.5	0.2	0.0	-0.2	1.5	1.6
Canada	3.8	1.2	1.3	2.4	0.1	0.1	1.0	2.2	2.2
Other Advanced Economies 3/	2.7	1.8	2.0	2.2	0.0	-0.2	1.7	1.9	2.8
Emerging Market and Developing Economies	4.1	4.4	4.3	4.3	0.1	0.1	4.7	4.3	4.4
Emerging and Developing Asia	4.4	5.7	5.4	5.1	0.2	0.2	5.9	5.3	5.0
China	3.0	5.2	5.0	4.5	0.4	0.4	5.4	4.6	4.9
India 4/	7.0	8.2	7.0	6.5	0.2	0.0	7.8	6.5	6.5
Emerging and Developing Europe	1.2	3.2	3.2	2.6	0.1	-0.2	4.1	2.3	3.7
Russia	-1.2	3.6	3.2	1.5	0.0	-0.3	4.8	1.8	1.7
Latin America and the Caribbean	4.2	2.3	1.9	2.7	-0.1	0.2	1.5	2.5	2.5
Brazil	3.0	2.9	2.1	2.4	-0.1	0.3	2.2	2.9	2.0
Mexico	3.7	3.2	2.2	1.6	-0.2	0.2	2.3	3.0	1.1
Middle East and Central Asia	5.4	2.0	2.4	4.0	-0.4	-0.2	...	...	...
Saudi Arabia	7.5	-0.8	1.7	4.7	-0.9	-1.3	-4.3	2.6	4.3
Sub-Saharan Africa	4.0	3.4	3.7	4.1	-0.1	0.1	...	...	...
Nigeria	3.3	2.9	3.1	3.0	-0.2	0.0	2.8	3.3	2.7
South Africa	1.9	0.7	0.9	1.2	0.0	0.0	1.3	1.3	0.9
Memorandum									
World Growth Based on Market Exchange Rates	3.0	2.7	2.7	2.8	0.0	0.1	2.8	2.7	2.8
European Union	3.7	0.6	1.2	1.8	0.1	0.0	0.5	1.7	1.8
ASEAN-5 5/	5.5	4.1	4.5	4.6	0.0	0.0	4.2	5.5	2.9
Middle East and North Africa	5.4	1.8	2.2	4.0	-0.5	-0.2	...	...	...
Emerging Market and Middle-Income Economies	4.0	4.4	4.2	4.2	0.1	0.1	4.7	4.3	4.4
Low-Income Developing Countries	4.2	3.9	4.4	5.3	-0.3	0.1	...	...	...
World Trade Volume (goods and services) 6/	5.6	0.8	3.1	3.4	0.1	0.1	...	...	...
Advanced Economies	6.2	0.1	2.5	2.8	0.3	-0.1	...	...	...
Emerging Market and Developing Economies	4.5	2.0	4.2	4.5	-0.1	0.5	...	...	...
Commodity Prices									
Oil 7/	39.2	-16.4	0.8	-6.0	3.3	0.3	-4.4	-2.4	-5.7
Nonfuel (average based on world commodity import weights)	7.9	-5.7	5.0	1.6	4.9	2.0	-0.2	7.7	0.5
World Consumer Prices 8/	8.7	6.7	5.9	4.4	0.0	-0.1	5.8	5.5	3.6
Advanced Economies 9/	7.3	4.6	2.7	2.1	0.1	0.1	3.1	2.5	1.9
Emerging Market and Developing Economies 8/	9.8	8.3	8.2	6.0	-0.1	-0.2	8.0	8.0	4.9