

HEADLINES:

Global economy finds a silver lining after headwinds

TEASER:

Latest forecast sees light at the end of the tunnel for the world's economy, even as central banks continue their fight to put out the inflation fire.

The International Monetary Fund (IMF) is more upbeat in its latest assessment of the global economy. After highlighting concerns of inflation, COVID-19-related delays, supply chain bottlenecks, geopolitical challenges, and trade slowdown, the IMF now expects the worst to be over.

The [Fund](#) expects global economic growth to fall from an estimated 3.4% in 2022 to 2.9% in 2023, then rise to 3.1% in 2024.

"The forecast for 2023 is 0.2 percentage point higher than predicted in the October 2022 World Economic Outlook (WEO) but below the historical (2000–19) average of 3.8%. The rise in central bank rates to fight inflation and Russia's war in Ukraine continue to weigh on economic activity," the IMF said.

With central banks coming to the end of their rate-hike cycle and with inflation peaking, consumers and businesses in both advanced and developing economies are expected to see an easing of financial strains. Global inflation is seen falling from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024, still above pre-pandemic (2017–19) levels of about 3.5%. In most economies, amid the cost-of-living crisis, the priority remains achieving sustained disinflation.

Advanced economies will rise 1.2% in 2023 and 1.4% in 2024, while emerging market will once again lead the way. Emerging and developing Asia will surge 5.3% in 2023 and 5.2% in 2024, according to the IMF forecast.

CHINA AND INDIA

Much has been made of China's economy, which slipped to a 3% growth in 2022 (compared to its average annual growth rate of more than 6% over the past decade). The IMF expects growth to recover to 5.2% in 2023 and 4.5% in 2024.

"The rapid spread of COVID-19 in China dampened growth in 2022, but the recent reopening has paved the way for a faster-than-expected recovery."

Investors have been concerned about China's overleveraged property sector, which has emerged as a systemic risk, but authorities are taking measures to address it to ensure the weakness is contained.

Management consultancy Deloitte believes that if the property market is stabilised, stronger property developers will emerge on the back of further policy support and the Chinese central bank's accommodative monetary stance. With the Fed heading to the final innings of their tightening campaign, China's monetary easing certainly faces fewer constraints.

"If consumers were to become more confident and embrace revenge consumption, China could avoid a large fiscal stimulative package, which would have to target infrastructure. However, the biggest hurdle remains reviving private investment beyond the property sector," [Deloitte](#) said in its report, noting that the country's Central Economic Work Conference has prominently emphasised the role of the private sector by stressing the principle of the 'two unshakables' – to develop the public sector in an unshakable manner while encouraging and supporting the private sector in an unshakable manner.

Another economy to watch for is India. The South Asian nation is expected to post blistering growth of 6.1% in 2023 and 6.8% in [2024](#).

"India's economy has been remarkably resilient to the deteriorating external environment, and strong macroeconomic fundamentals have placed it in good stead compared to other emerging market economies," said Auguste Tano Kouame, [World Bank's](#) country director in India. "However, continued vigilance is required as adverse global developments persist."

COMMODITY PRICES

The Middle East and Central Asian region is expected to expand at a moderate pace of 3.2% in 2023, compared to a commodity-fuelled growth of 5.3% in 2022.

"The downgrade for 2023 reflects mainly lower oil production in line with an agreement through OPEC+ (Organization of the Petroleum Exporting Countries, including Russia and other non-OPEC oil exporters), while non-oil growth is expected to remain robust," the IMF noted.

In 2023, oil prices are projected to fall by about 16%, while nonfuel commodity prices are expected to decrease, on average, by 6.3%.

However, a surge in Chinese demand as the country recovers from lockdowns could change the trajectory.

"China's zero-Covid policy now moves from being a major downside risk to our demand and global price forecasts to an upside risk—much will depend on how quickly China opens up its economy in 2023," according to the Economist Intelligence Unit. "Depending on how much China's property slump continues to curb construction activity, fiscal stimulus could represent an upside for steel and base metals."

(END)