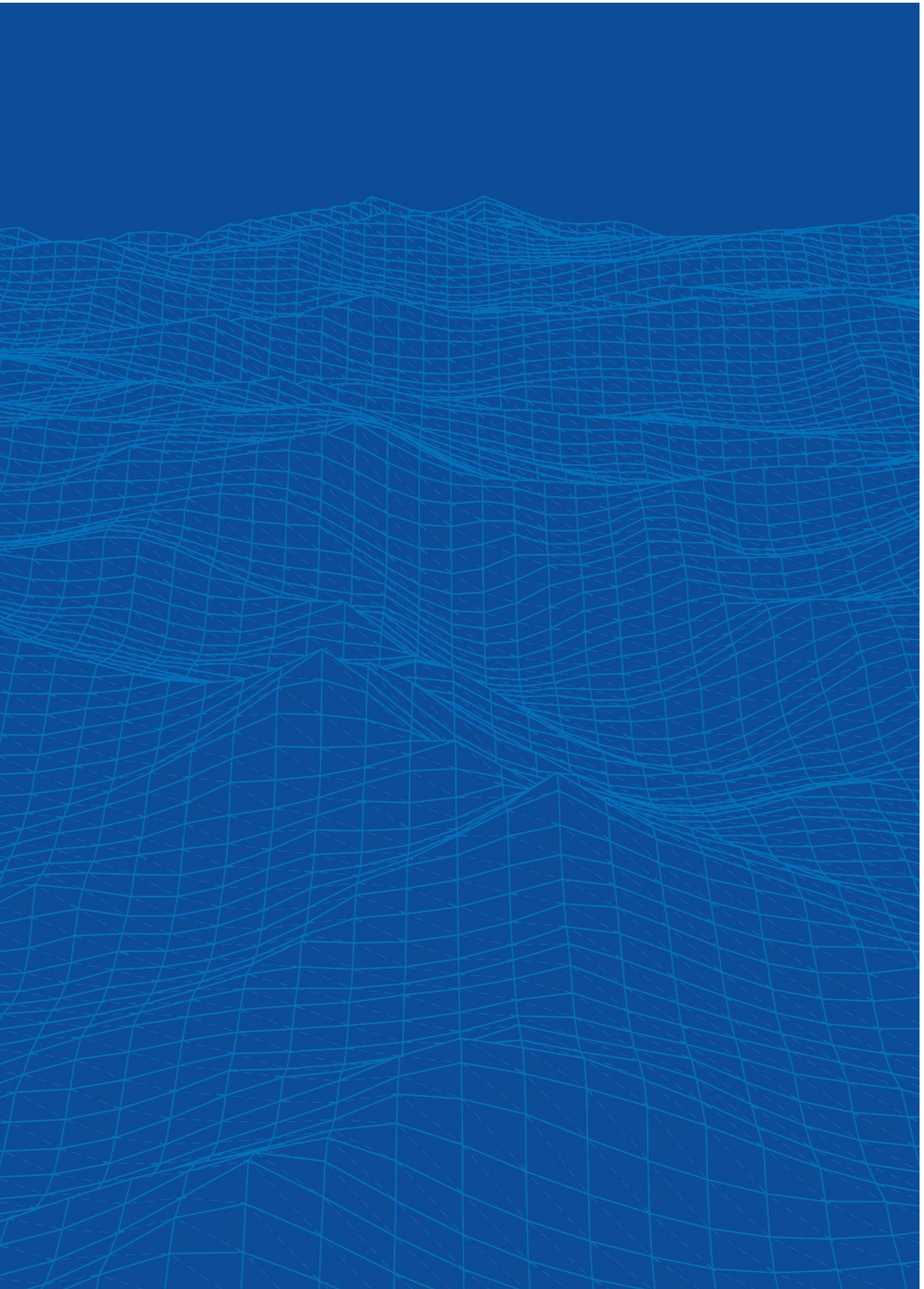


RESEARCH

# Navigating Global Divergences

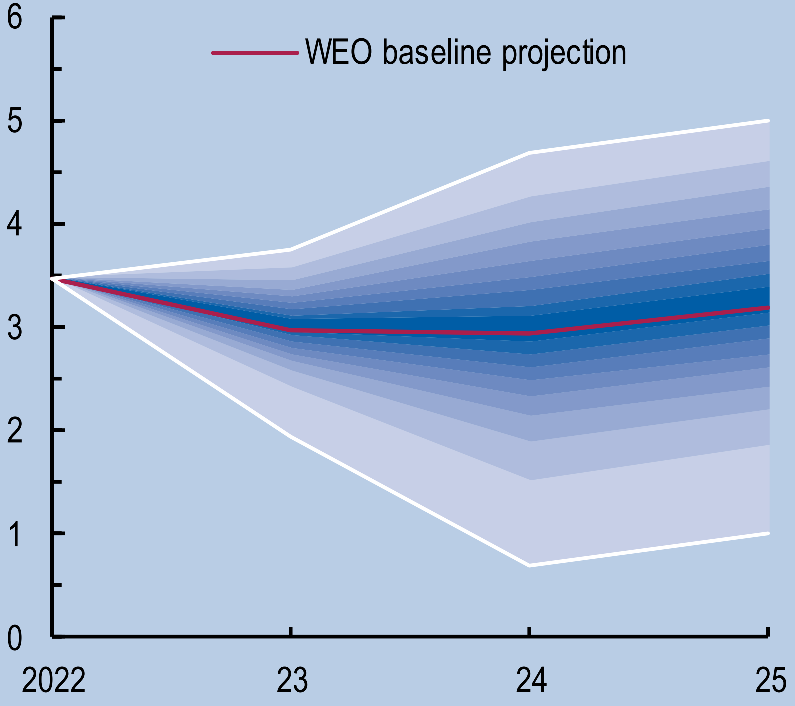
WORLD ECONOMIC OUTLOOK

OCTOBER 2023 – TOKYO

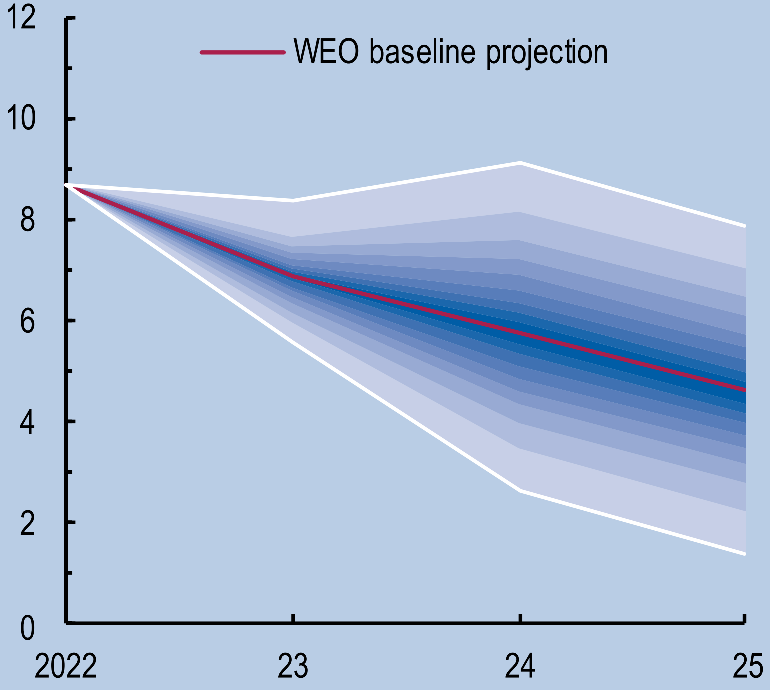
# Overview

## Global Economy: Resilient but Losing Momentum / Inflation Easing

### World real GDP growth
*(percent; y/y)*




### World inflation
*(percent; y/y)*




Sources: IMF, *World Economic Outlook*; and IMF staff estimates.

## Main Forces

**Headwinds ahead:**
- Slowing growth in China
- Monetary policy biting
- Debt high, fiscal buffers limited

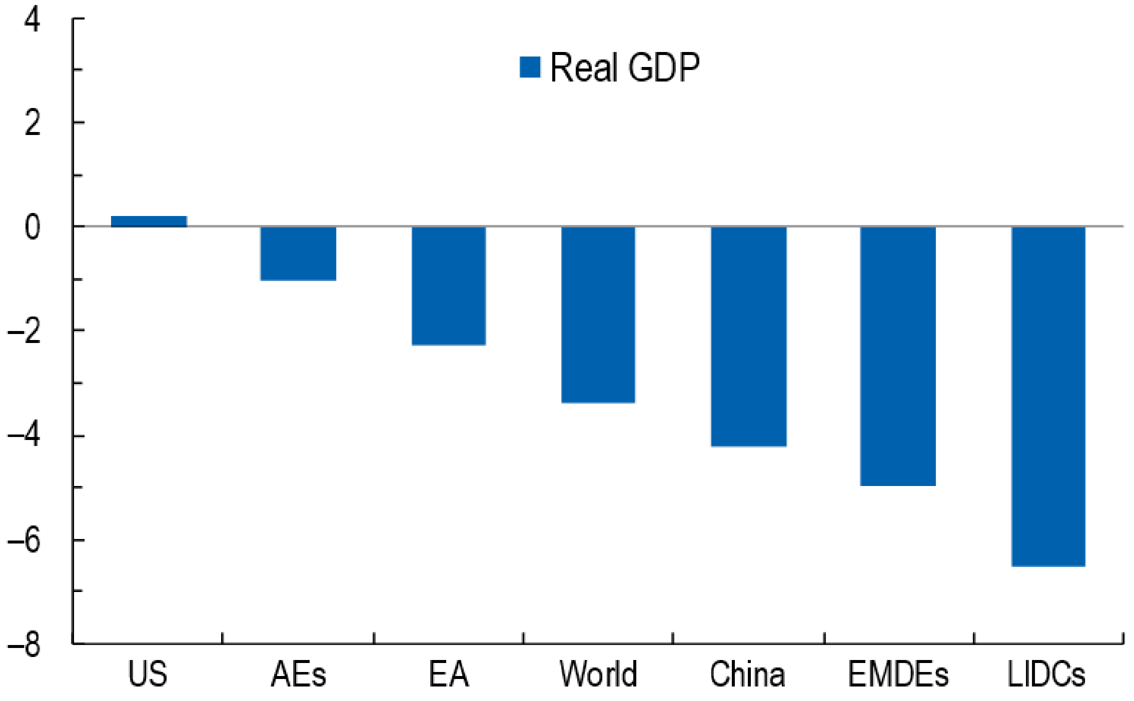
## Risks

**Upside:**
- Underlying inflation falling faster than expected
- Faster recovery of domestic demand

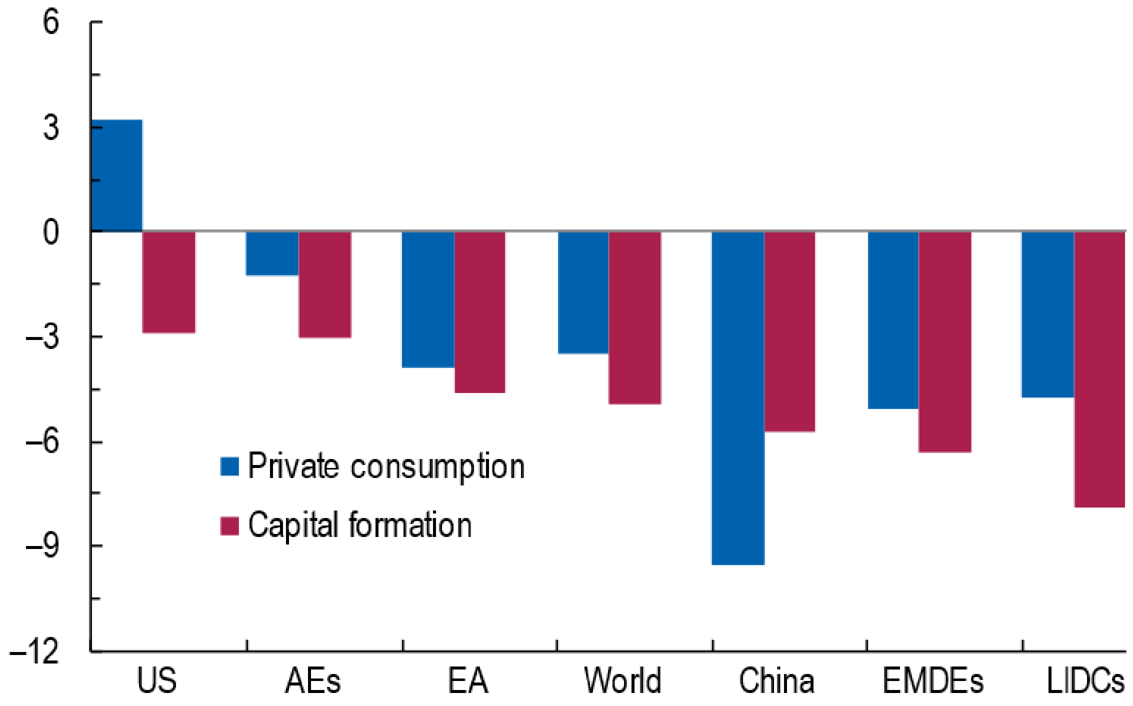
**Downside:**
- China property downturn intensifies
- "Higher for longer" leading to financial market repricing
- Increase in commodity prices
- Debt distress
- More geoeconomic fragmentation

# Scarring: Growing Global Divergences

**Scarring from 2020-22 Shocks: GDP**
(percent; deviation in 2023 from prepandemic projections)



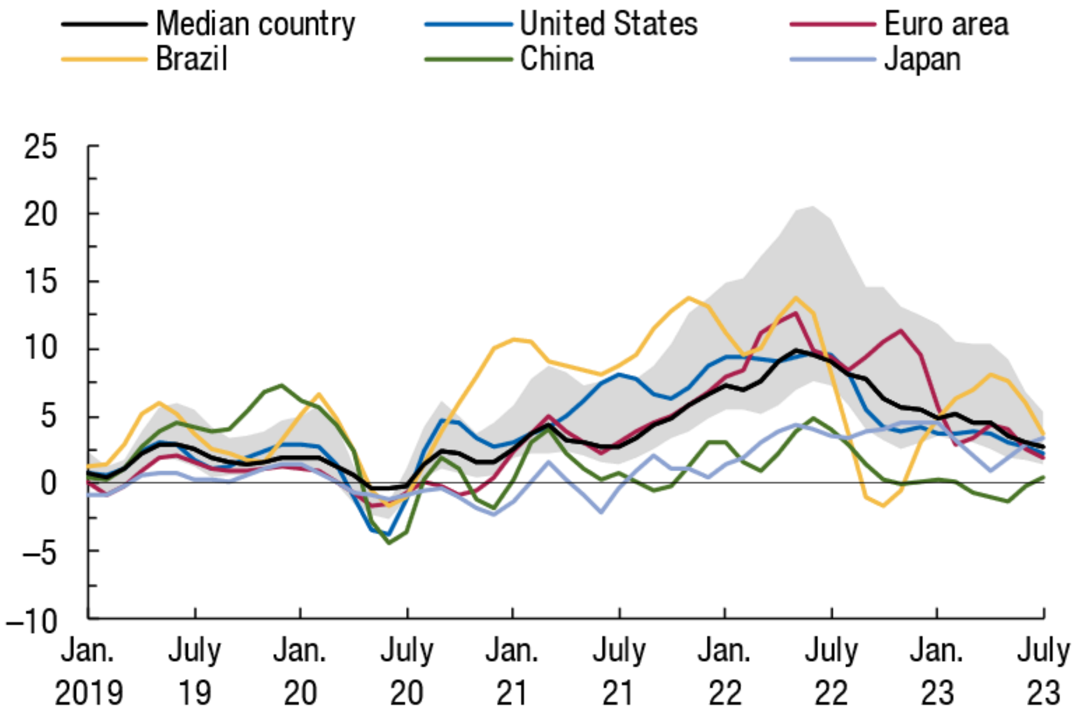

**Scarring from 2020-22 Shocks: Domestic Demand**
(percent; deviation in 2023 from prepandemic forecasts )



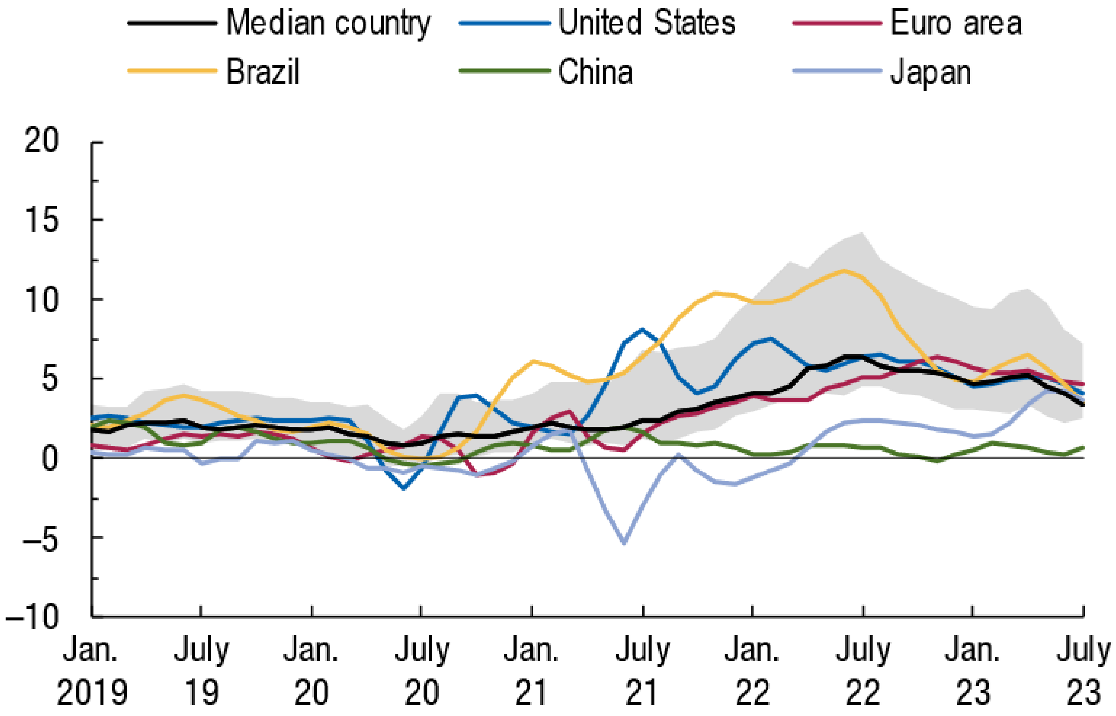

Sources: IMF, *World Economic Outlook*; and IMF staff estimates.

# Inflation: Nearer but Not Quite There Yet

**Headline Inflation Has Halved**
(Percent, three-month moving average; SAAR)



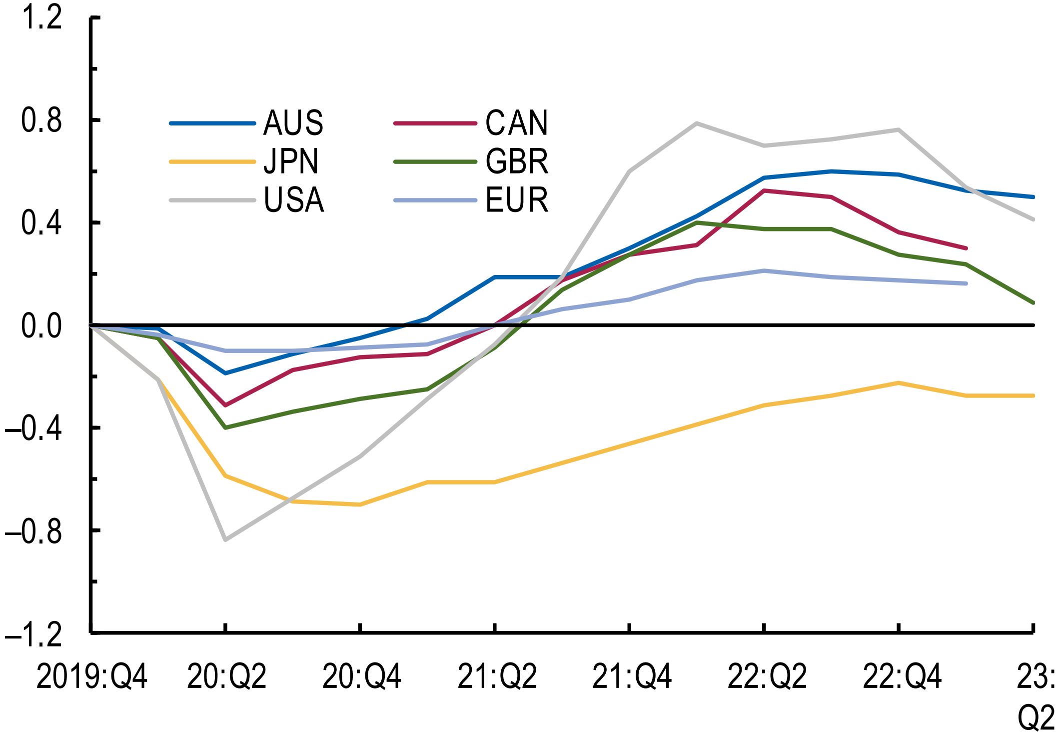

**Core Inflation Has Declined More Gradually**
(Percent, three-month moving average; SAAR)



# Labor Market Still Tight but Signs of Easing

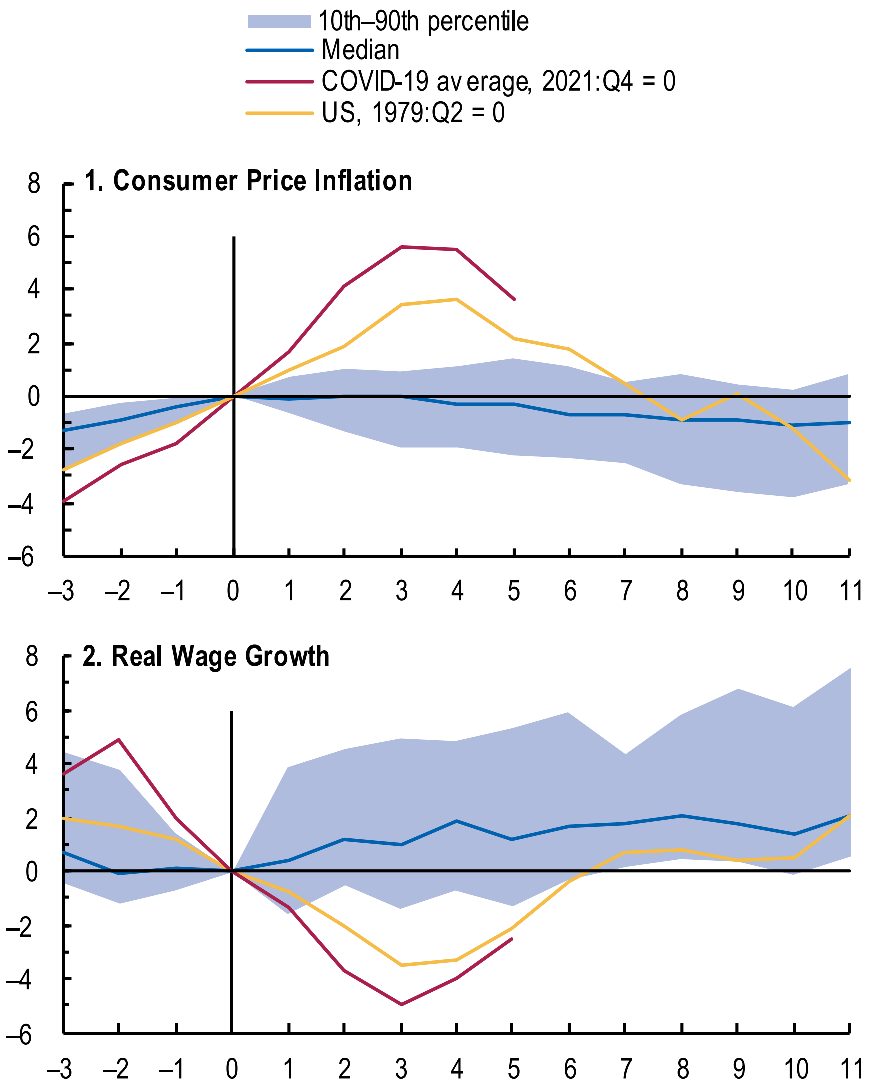
## High Level of Vacancies Points to Tightness

(Change in vacancy-to-unemployment ratios relative to 2019:Q4)




## Little Evidence of a Wage Price Spiral

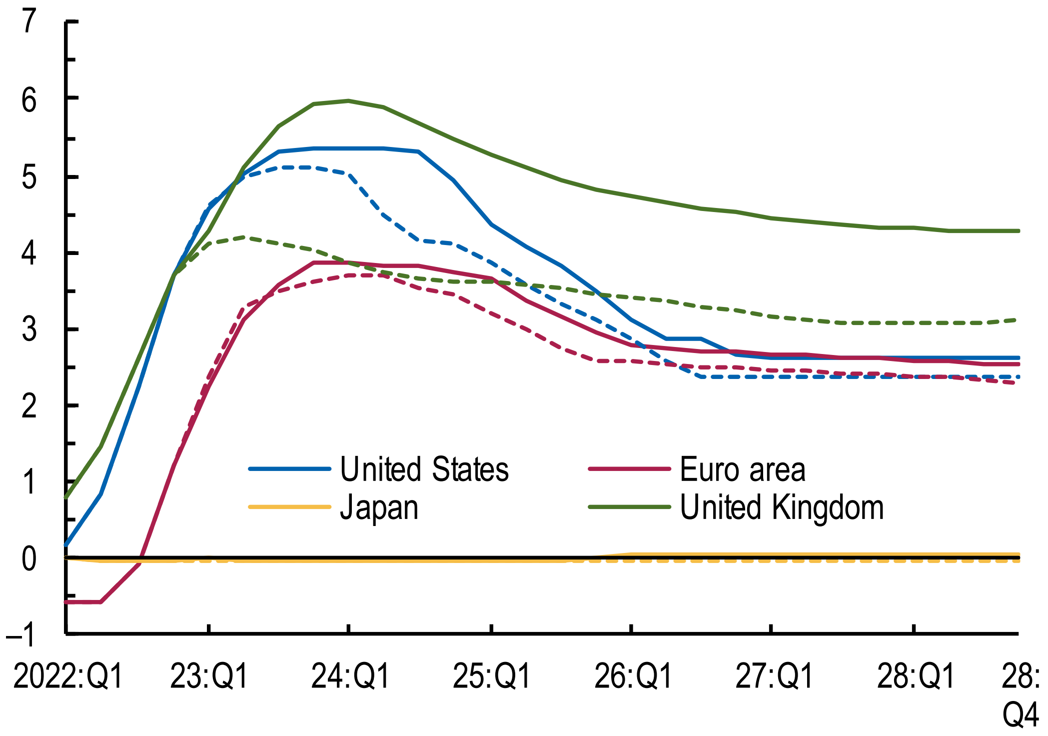
(Percentage points deviations from t=0)



# Assumptions for the Baseline Forecast

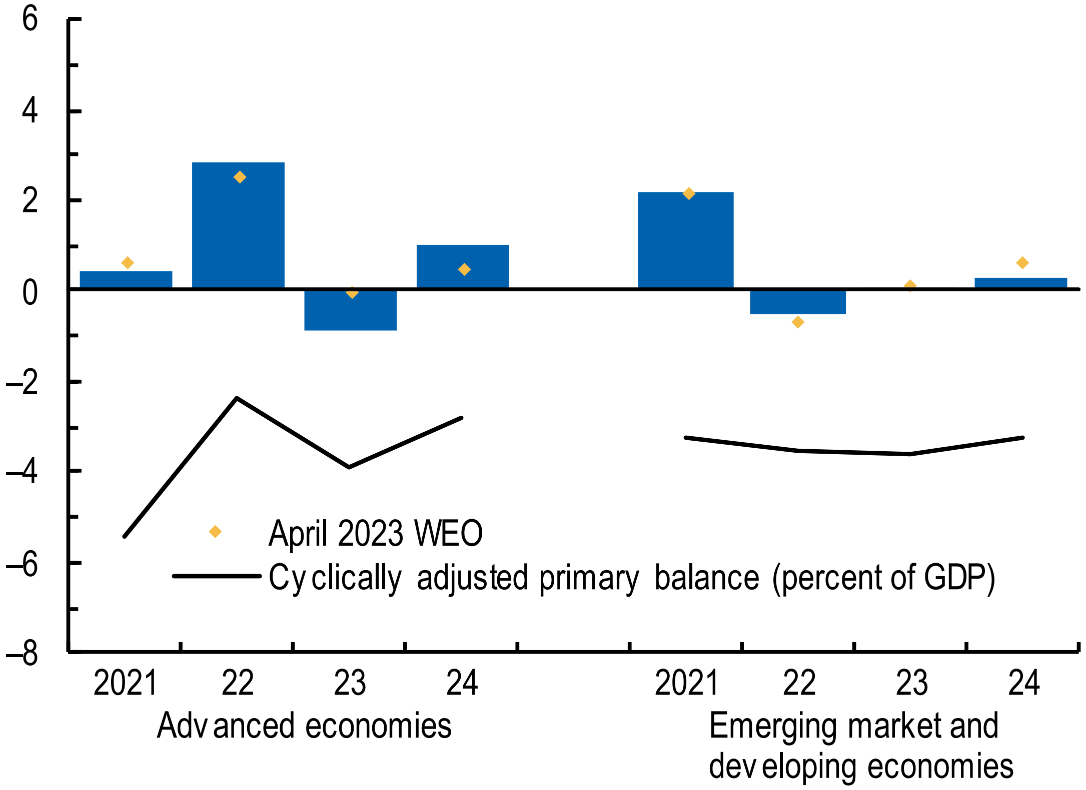
## Monetary policy rates: higher for longer

### Policy Rates in Selected AEs
(Percent; annualized; dashed lines are April 2023 WEO vintage)




## Government support: fiscal consolidation in 2024

### Fiscal Stance, 2021-24
(Change in structural primary fiscal balance, percent of potential GDP)



# Growth Projections: Advanced Economies

(percent change from a year earlier)

| | World | Advanced Economies | U.S. | Euro Area | Japan | U.K. | Canada | Other Advanced Asia |
|---|---|---|---|---|---|---|---|---|
| **2022** | 3.5 | 2.6 | 2.1 | 3.3 | 1.0 | 4.1 | 3.4 | 2.5 |
| **Revision from Jul. 2023** | 0.0 | –0.1 | 0.0 | –0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| **2023** | 3.0 | 1.5 | 2.1 | 0.7 | 2.0 | 0.5 | 1.3 | 1.5 |
| **Revision from Jul. 2023** | 0.0 | 0.0 | 0.3 | –0.2 | 0.6 | 0.1 | –0.4 | –0.3 |
| **2024** | 2.9 | 1.4 | 1.5 | 1.2 | 1.0 | 0.6 | 1.6 | 2.2 |
| **Revision from Jul. 2023** | –0.1 | 0.0 | 0.5 | –0.3 | 0.0 | –0.4 | 0.2 | 0.0 |

Source: IMF, October 2023 *World Economic Outlook*.

# Growth Projections: Emerging Markets and LIDCs

(percent change from a year earlier)

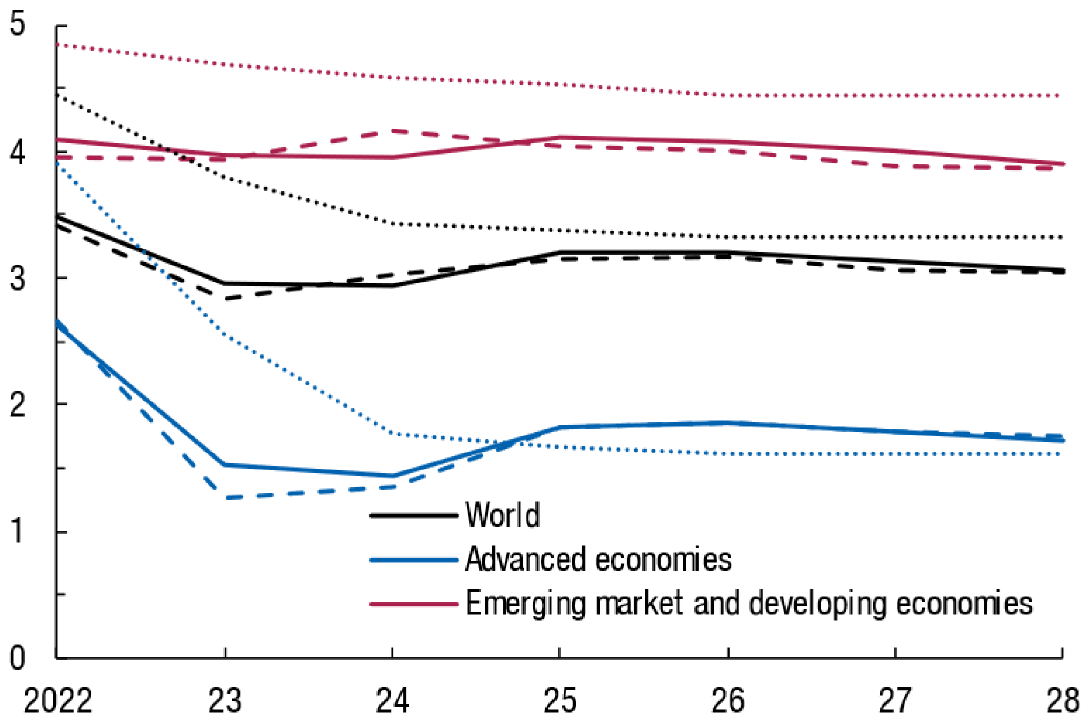
| | World | Emerging Market and Developing Economies | China | India | Brazil | Russia | Commodity Exporting Economies | Low Income Developing Countries |
|---|---|---|---|---|---|---|---|---|
| **2022** | 3.5 | 4.1 | 3.0 | 7.2 | 2.9 | −2.1 | 3.7 | 5.2 |
| **Revision from Jul. 2023** | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.2 |
| **2023** | 3.0 | 4.0 | 5.0 | 6.3 | 3.1 | 2.2 | 2.7 | 4.0 |
| **Revision from Jul. 2023** | 0.0 | 0.0 | −0.2 | 0.2 | 1.0 | 0.7 | 0.0 | −0.5 |
| **2024** | 2.9 | 4.0 | 4.2 | 6.3 | 1.5 | 1.1 | 3.0 | 5.1 |
| **Revision from Jul. 2023** | −0.1 | −0.1 | −0.3 | 0.0 | 0.3 | −0.2 | 0.1 | −0.1 |

Source: IMF, October 2023 *World Economic Outlook*.

# Global Outlook: Too Weak for Comfort

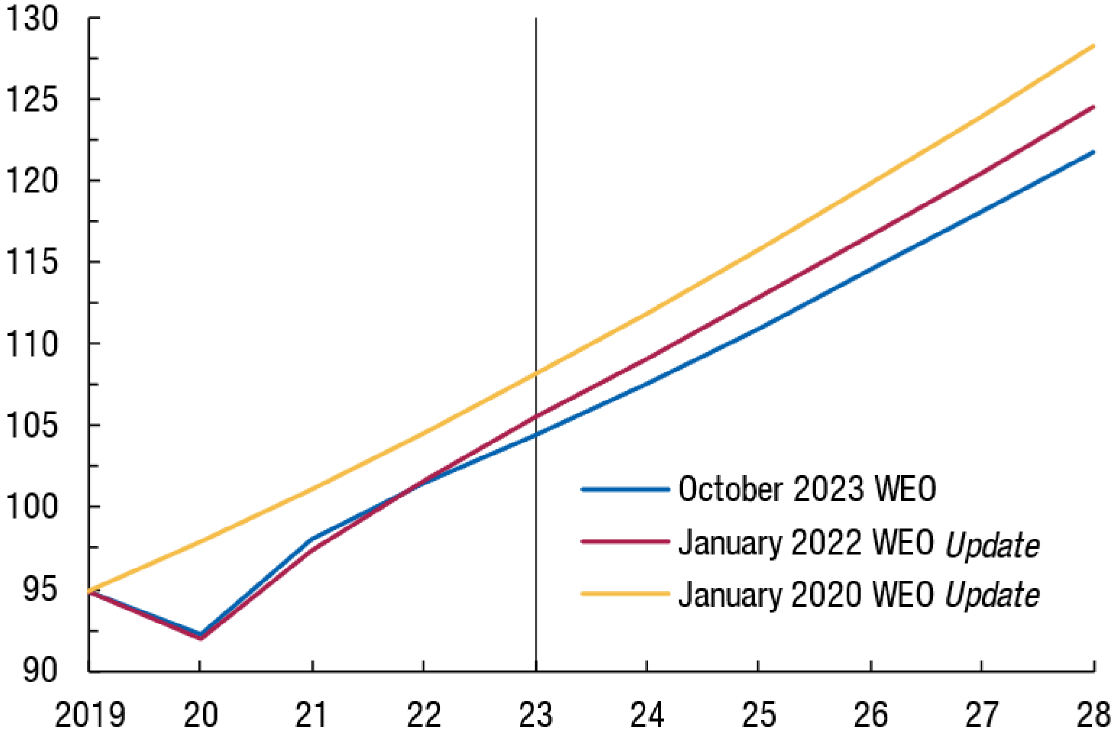
## Global growth: Stable and slow

**Growth Outlook**
(Percent; dashes from April 2023 and dotted from January 2022 WEO forecast)




## Permanent scarring expected

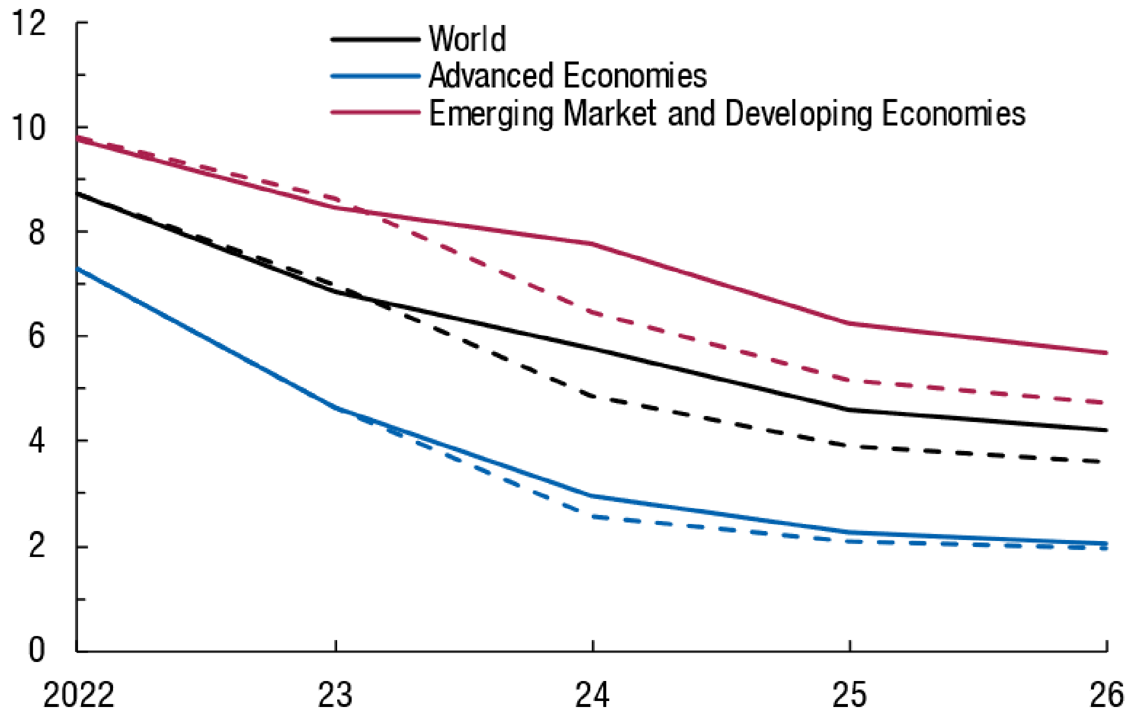
**Long-Term Global Growth Projections**
(Trillions of US dollars in 2023 prices)



# Inflation: Falling but Stickier than Expected

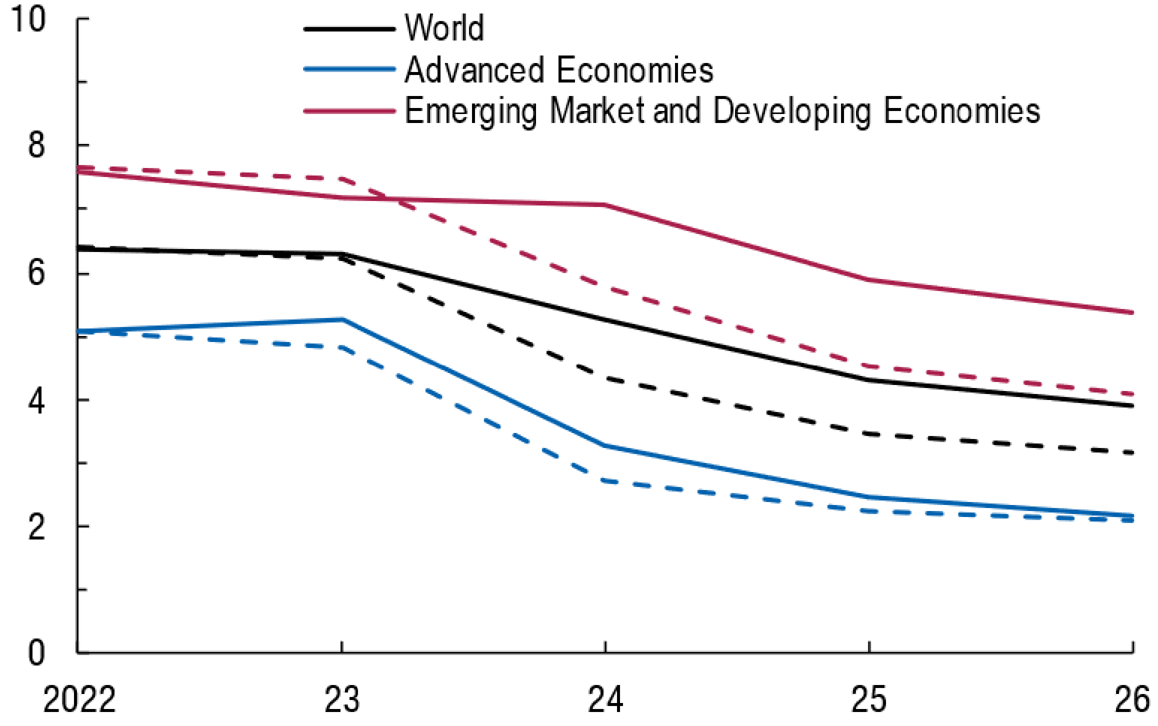
## Headline inflation to fall in ¾ of countries in 2023

**Headline Inflation**
(Percent; dashed lines from April 2023 WEO)




## Core inflation: Down but sticky

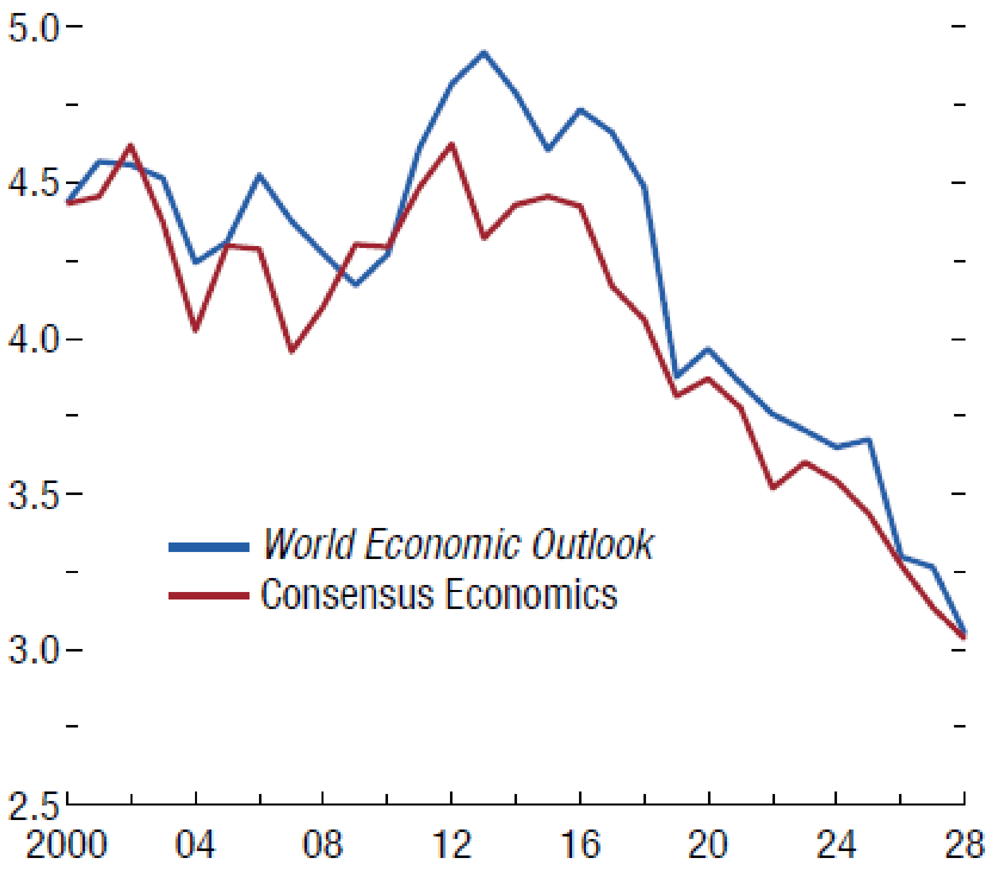
**Inflation Excluding Food and Energy**
(Percent; dashed lines from April 2023 WEO)



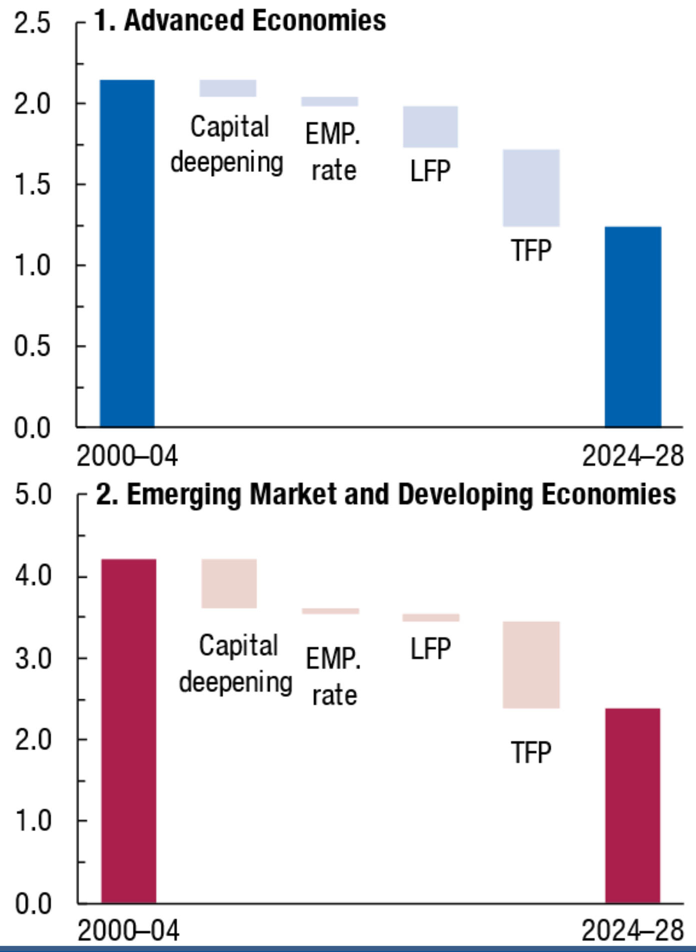
# The Medium Term: Threading New Lows

**Medium term forecasts are the lowest in decades, with the largest downshift in Asia**

**Five–Year–Ahead Growth Projections Over Time**
(Percent)




**Per Capita Growth Forecast Decomposition**
(Percent; 80 percent of world GDP at 2023 PPP)



# Policy priorities: from disinflation to sustained growth

## Short-run impact

- Durably restore **price stability**
- Safeguard **macro-financial stability**
- **Normalize fiscal** policy with an eye on the vulnerable
- Accelerate restructuring where necessary to **avoid debt distress**
- **Avoid food insecurity** through strengthened rules-based frameworks

## Medium-run impact

- **Intensify macrostructural reforms** to boost long-term growth
- **Speed the green transition**
- **Strengthen multilateral cooperation** to
  - ensure food and energy security
  - boost productivity growth
  - fight climate change
  - regulate potential emerging technologies

# Thank you!