Overview

Global Economy: Resilient but Losing Momentum / Inflation Easing

<table>
<thead>
<tr>
<th>World real GDP growth</th>
<th>World inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>(percent; y/y)</td>
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</tr>
</tbody>
</table>

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

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)

[Graph showing changes in vacancy-to-unemployment ratios and deviations from baseline]
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)*

<table>
<thead>
<tr>
<th>Year</th>
<th>World</th>
<th>Advanced Economies</th>
<th>U.S.</th>
<th>Euro Area</th>
<th>Japan</th>
<th>U.K.</th>
<th>Canada</th>
<th>Other Advanced Asia</th>
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<tr>
<td>2022</td>
<td>3.5</td>
<td>2.6</td>
<td>2.1</td>
<td>3.3</td>
<td>1.0</td>
<td>4.1</td>
<td>3.4</td>
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Source: IMF, October 2023 *World Economic Outlook.*
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<th>Emerging Market and Developing Economies</th>
<th>China</th>
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<th>Russia</th>
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<th>Low Income Developing Countries</th>
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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

Core inflation: Down but sticky

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

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