

IMF rings in 2023 with alarm bells: A third of world at risk of recession

This year will be 'tougher' than the last one as US, EU and China will see their economies slow down

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International Monetary Fund Managing Director Kristalina Georgieva warned that the global economy faces “a tough year, tougher than the year we leave behind.”

“We expect one-third of the world economy to be in recession,” Georgieva told CBS’s ‘Face the Nation’ in an interview aired January 1. “Why? Because the three big economies — United States (US), European Union (EU), China — are all slowing down simultaneously.”

The IMF already warned in October that more than a third of the global economy will contract and that there is a 25 per cent chance of global GDP growing by less than 2 per cent in 2023, which it defines as a global recession.

While “the US may avoid recession,”

the EU has been “very severely hit by the war in Ukraine — half of the EU will be in recession next year,” she said. At the same time, China faces a “tough year.”

Data published on Saturday showed that China’s abrupt reversal of its Covid Zero policy pushed economic activity in December to the slowest pace since February 2020 as the virus swept through major cities and prompted people to stay home and businesses to shut.

The slowdown in the biggest economies “translates into negative trends globally — when we look at the emerging markets in developing economies, there, the picture is even direr,” Georgieva said.

Still, the outlook for the world’s largest economy may offer respite.

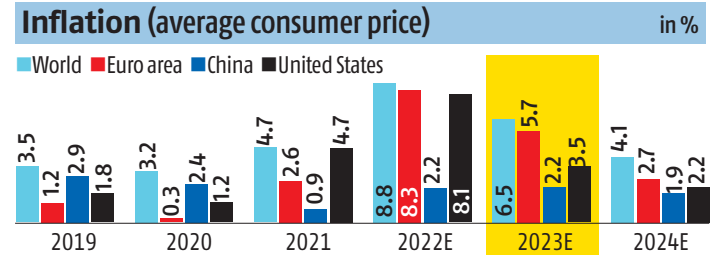
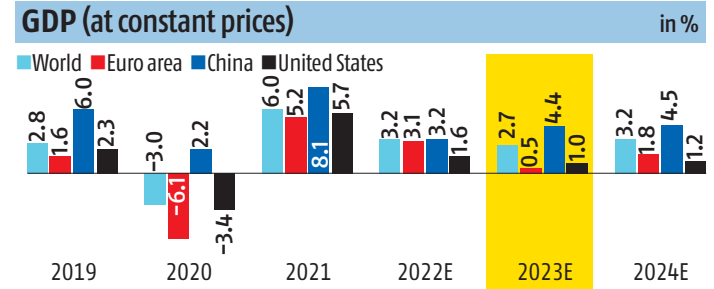
“If that resilience of the labor market in the US holds, the US would help the world to get through a very difficult year,” Georgieva said.



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KRISTALINA GEORGIEVA
MD, International Monetary Fund

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Sources: IMF, World Economic Outlook Database, October 2022

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