

IMF flags higher recession risk, darker global outlook

'Any country can be thrown off course more easily and more often'

REUTERS

Washington, 6 October

The International Monetary Fund will next week downgrade its forecast for 2.9 per cent global growth in 2023, Managing Director Kristalina Georgieva said on Thursday, citing rising risks of recession and financial instability.

Georgieva said the outlook for the global economy was darkening given the shocks caused by the Covid-19 pandemic, Russia's invasion of Ukraine and climate disasters on all continents, and it could well get worse.

"We are experiencing a fundamental shift in the global economy, from a world of relative predictability ... to a world with more fragility — greater uncertainty, higher economic volatility, geopolitical confrontations, and more frequent and devastating natural disasters," she said in the text of a speech at Georgetown University.

She said the old order, characterised by low interest rates and low inflation, was giving way to one in which "any country can be thrown off course more easily and more often." She said all of the world's largest economies — Europe, China and the United States — were now slowing down, which was dampening demand for exports from emerging and developing countries, already hit hard by high food



and energy prices.

The IMF would lower its 2023 growth forecast from 2.9 per cent, its fourth downward revision this year, when it releases its World Economic Outlook next week, Georgieva said. The global lender would leave its current forecast for 3.2 per cent growth in 2022 unchanged, she said, and gave no number for the new 2023 forecast.

The war in Ukraine and global economic risks will dominate next week's annual meetings of the IMF and the World Bank in Washington, which bring together finance ministers and central bankers from around the world.

The IMF estimates that countries accounting for about one-third of the

world economy would see at least two consecutive quarters of contraction this year or next, Georgieva said.

"And, even when growth is positive, it will feel like a recession because of shrinking real incomes and rising prices," she said. Overall, the IMF expects global output to shrink by \$4 trillion between now and 2026. That is roughly the size of the German economy and amounts to a "massive setback," she added.

Uncertainty remained high and more economic shocks were possible, she said, warning that high debt levels and liquidity concerns could amplify the rapid and disorderly repricing of assets on financial markets.