

Emerging economies set to grow even as war, inflation sap biggies

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Emerging markets (EMs) led by India are set to grow at a much faster pace this year and the next even as the ongoing war in Ukraine and raging inflation have dealt a severe blow to advanced economies (AEs).

DATA FOCUS.

According to the IMF, emerging economies are projected to clock 3.9 per cent growth in 2023 and 4.2 per cent in 2024. But, AEs are projected to grow at a much slower 1.3 per cent and 1.4 per cent in 2023 and 2024, respectively.

The IMF has projected that the global growth will bottom out at 2.8 per cent this year before rising modestly to 3 per cent in the next.

EMs TO THE FORE

In April this year, the IMF cut its FY24 GDP growth forecast for India by 20 basis points to 5.9 per cent. This is considerably lower than the Reserve Bank of India's 6.5 per cent projection. Despite the marked drop in growth projection, India continues to be the fastest growing economy in the world. Meanwhile, China's growth is projected at 5.2 per cent this year and 4.5 per cent in 2024. "China's reopened economy is rebounding strongly," Pierre-Olivier Gourinchas, IMF Chief Economist, has said. Other emerging nations such as Indonesia and Malaysia, too, are expected to grow north of 4 per cent.

AEs LAG

In sharp contrast, the IMF, in its World Economic Outlook, forecasts that AEs are expected to see an especially pronounced growth slowdown, from 2.7 per cent in 2022 to 1.3 per cent in 2023. The US is poised to grow at 1.6 per cent and 1.1 per cent for 2023 and 2024, respectively. Japan and Canada, too, are expected to grow below 2 per cent for both

Emerging to be advanced

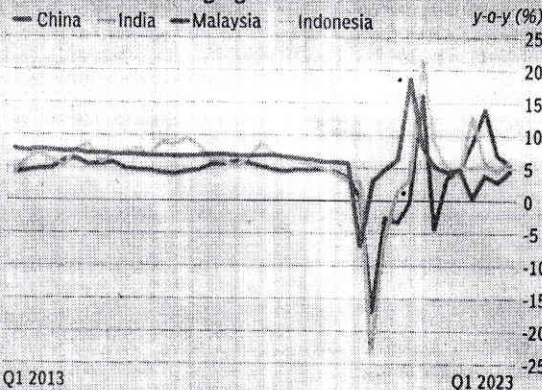
GDPs of advanced economies to grow at a slower pace

	GDP growth forecast (%)	
	2023	2024
Advanced economies	1.3	1.4
US	1.6	1.1
UK	-0.3	1.0
Japan	1.3	1.0
Germany	-0.1	1.1
Canada	1.5	1.5
Developing economies	3.9	4.2
China	5.2	4.5
India	5.9	6.3
Malaysia	4.5	4.5
Indonesia	5.0	5.0
World	2.8	3.0

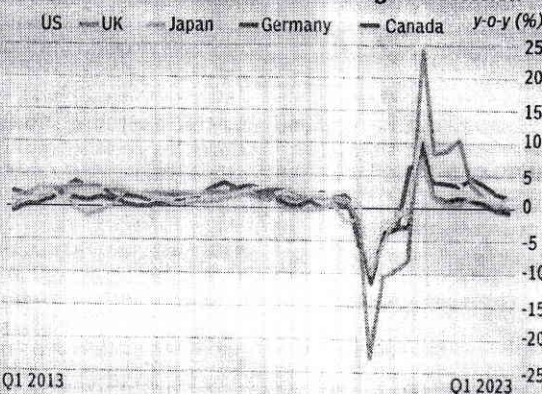
Inflation rules at higher level in advanced economies



GDP revives in emerging economies



Many advanced economies on the verge of recession



Source: Bloomberg, IMF Projections

the years. The biggest economies in Europe — Germany and UK — are the worst affected, with Germany having

fallen into recession. The Eurozone slipped into recession in the first three months of the year.