

World economy headed towards recession in 2023: CEBR

India poised to become world's third-largest economy by 2032, according to the report

BLOOMBERG
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The world faces a recession in 2023 higher borrowing costs aimed at tackling inflation cause a number of economies to contract, according to the Centre for Economics and Business Research (CEBR).

The global economy surpassed \$100 trillion for the first time in 2022 but will stall in 2023 as policy makers continue their fight against soaring prices, the British consultancy said in its annual World Economic League Table.

"It's likely that the world economy will face recession next year as a result of the rises in interest rates in response to higher inflation," said

Kay Daniel Neufeld, director and head of Forecasting at CEBR.

The report added that, "The battle against inflation is not won yet. We expect central bankers to stick to their guns in 2023 despite the economic costs. The cost of bringing inflation down to more comfortable levels is a poorer growth outlook for a number of years to come."

The findings are more pessimistic than the latest forecast from the International Monetary Fund. That institution warned in October that more than a third of the world economy will contract and 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.

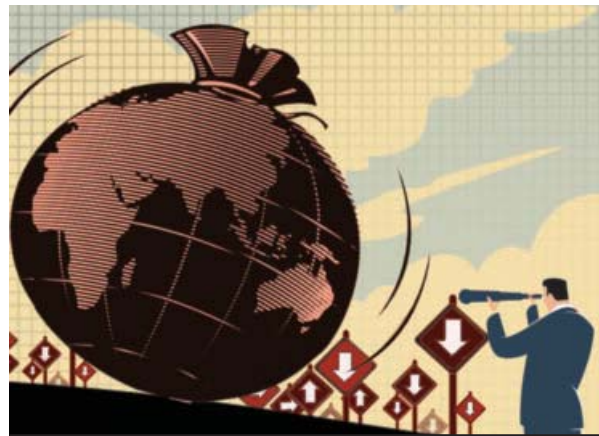


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Even so, by 2037, world gross domestic product will have doubled as developing economies catch up with the richer ones. The shifting balance of power will see the East Asia and Pacific region account for

over a third of global output by 2037, while Europe's share shrinks to less than a fifth.

The CEBR takes its base data from the IMF's World Economic Outlook and uses an internal model

to forecast growth, inflation and exchange rates.

China is now not set to overtake the US as the world's largest economy until 2036 at the earliest — six years later than expected. That

reflects China's zero-Covid policy and rising trade tensions with the west slow, which have slowed its expansion.

CEBR had originally expected the switch in 2028, which it pushed

back to 2030 in last year's league table. It now thinks the cross-over point will not happen until 2036 and may come even later if Beijing tries to take control of Taiwan and faces retaliatory trade sanctions.

KEY FINDINGS

- **How world is placed:** The UK is the world's sixth largest economy, and France seventh, over the next 15 years
- **Lack of clear policies:** Britain no longer set to grow faster than European peers due to "an absence of growth-oriented policies and the lack of a clear vision of its role outside of the European Union"
- **Switch to renewable energy:** Emerging economies with natural resources will get a "substantial boost"
- **Long way ahead:** Global economy is a long way from the \$80,000 per capita GDP level
- **Interventions needed:** Further policy interventions are needed to hit the target of limiting global warming to just 1.5 degrees above pre-industrial levels

GLOBAL GDP SHARE (In %)

