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Article

World Economic Outlook for 2021 and 2022

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World Economic Outlook for 2021 and 2022

ABSTRACT

The Covid-19 pandemic caused a severe economic downturn worldwide in 2020. This article briefly presents the IMF's first growth forecasts for 2021 and 2022, and highlights the necessity of continued economic and health policy supports for a rapid recovery from the pandemic recession.

Although the start of vaccinations worldwide has raised some hopes for a gradual control and turnaround of the pandemic this year, the persistent dangers associated with renewed waves and new variants of the coronavirus still pose serious concerns for the global economic outlook. Amid this extraordinary uncertainty, the IMF's latest forecast projects that the global economy will grow 5.5% in 2021 and 4.2% in 2022.[1] The projected pickup in growth this year follows a severe slump in 2020 caused by the ongoing Covid-19 crisis, the magnitude of which is estimated to be a global growth contraction of – 3.5% for the same year.[2]

The speed and strength of recovery appears to vary considerably across countries, depending mainly on access to medical interventions, the effectiveness of policy support, openness and exposure to cross-country spillovers, and structural characteristics at the onset of the crisis (Table 1). Growth in the group of advanced economies is anticipated to be 4.3% in 2021. Most economies in this group are expected to recover this year, including the United States (5.1%), Japan (3.1%), the UK (4.5%), Germany (3.5%), France (5.5%), Italy (3.0%), and Spain (5.9%). Overall, the group of emerging and developing countries is expected to expand faster, by 6.3% in 2021 (see, in particular, the growth projection for India of 11.5%, followed by China at 8.5% for the same year). Other sub-regions in this group appear to experience a somewhat moderate expansion in economic activity in 2021: Latin America (4.1%), emerging and developing Europe (4.0%), the Middle East and Central Asia (3.0%), and Sub-Saharan Africa (3.2%).

In the IMF's view, policy actions should continuously provide effective economic support combined with strategies aimed at further reducing infection and protecting lives until the recovery from the pandemic recession is firmly underway. In this context, more intact multilateral cooperation is needed to bring the pandemic under control on all continents. These efforts include, among others, increasing funding for the COVAX facility to accelerate access to vaccines for all countries. In addition, the global community should work together to ensure adequate access to international liquidity for low-income developing countries, which entered the crisis with high levels of debt that will rise further during the pandemic.

Table 1

Overview of World Economic Outlook Projections (%)

	2019	2020[a]	2021[b]	2022[b]
World output	2.8	– 3.5	5.5	4.2
Advanced economies	1.6	– 4.9	4.3	3.1
US	2.2	– 3.4	5.1	2.5
Euro area	1.3	– 7.2	4.2	3.6
Germany	0.6	– 5.4	3.5	3.1
France	1.5	– 9.0	5.5	4.1
Italy	0.3	– 9.2	3.0	3.6
Spain	2.0	– 11.1	5.9	4.7
Japan	0.3	– 5.1	3.1	2.4
UK	1.4	– 10.0	4.5	5.0
Canada	1.9	– 5.5	3.6	4.1
Other advanced economies	1.8	– 2.5	3.6	3.1
Emerging market and developing economies	3.6	– 2.4	6.3	5.0
Emerging and developing Asia	5.4	– 1.1	8.3	5.9
China	6.0	2.3	8.1	5.6
India	4.2	– 8.0	11.5	6.8
ASEAN5[c]	4.9	– 3.7	5.2	6.0
Emerging and developing Europe	2.2	– 2.8	4.0	3.9
Russia	1.3	– 3.6	3.0	3.9
Latin America and the Caribbean	0.2	– 7.4	4.1	2.9
Brazil	1.4	– 4.5	3.6	2.6
Mexico	– 0.1	– 8.5	4.3	2.5
Middle East and Central Asia	1.4	– 3.2	3.0	4.2
Saudi Arabia	0.3	– 3.9	2.6	4.0
Sub-Saharan Africa	3.2	– 2.6	3.2	3.9
Nigeria	2.2	– 3.2	1.5	2.5
South Africa	0.2	– 7.5	2.8	1.4

Note: [a] Estimate; [b] Projections; [c] Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

Source: IMF.

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[1] IMF World Economic Outlook Update January 2021, https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update.

[2] This negative global growth rate is much worse than during the 2008/09 financial crisis. In 2009, for example, the growth rate of world output amounted to – 0.7% (see https://www.imf.org/external/pubs/ft/weo/2011/02/weodata/index.aspx).