

Nam, Chang Woon

**Article**

## World Economic Outlook for 2022 and 2023

CESifo Forum

**Provided in Cooperation with:**

Ifo Institute – Leibniz Institute for Economic Research at the University of Munich

*Suggested Citation:* Nam, Chang Woon (2022) : World Economic Outlook for 2022 and 2023, CESifo Forum, ISSN 2190-717X, ifo Institut - Leibniz-Institut für Wirtschaftsforschung an der Universität München, München, Vol. 23, Iss. 03, pp. 50-51

This Version is available at:

<https://hdl.handle.net/10419/263857>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

Chang Woon Nam\*

# World Economic Outlook for 2022 and 2023

## ABSTRACT

The war in Ukraine slows the global recovery. This article briefly presents the IMF's growth forecasts for 2022 and 2023. In addition to addressing the immediate challenges of the war and the pandemic, it also highlights the need for continued, focused longer-term economic policies, particularly in the areas of structural, digital, and energy transformation.

dition to contributing to the economic stresses caused by the pandemic, the conflict has led to global economic fragmentation, as a large number of countries have severed their trade ties with Russia, which will again hinder the rapid post-pandemic recovery. Global growth is expected to slow from 6.1 percent in 2021 to 3.6 percent in 2022 and 2023 (Table1).<sup>1</sup> This forecast assumes that the conflict remains confined to Ukraine, further sanctions against Russia exempt the energy sector, and the health and economic effects of the pandemic subside in the course of 2022.

The economic damage caused by the war in Ukraine will contribute to a significant slowdown in global growth in 2022 and further accelerate inflation. In ad-

\* ifo Institute

<sup>1</sup> IMF World Economic Outlook April 2022, <https://www.imf.org/en/Publications/WEO/Issues/2022/04/19/world-economic-outlook-april-2022>.

Table 1  
Overview of World Economic Outlook Projections (%)

	2020	2021	2022 <sup>a</sup>	2023 <sup>a</sup>
World output	-3.1	6.1	3.6	3.6
Advanced economies	-4.5	5.2	3.3	2.4
US	-3.4	5.7	3.7	2.3
Euro area	-6.4	5.3	2.8	2.3
Germany	-4.6	2.8	2.1	2.7
France	-8.0	7.0	2.9	1.4
Italy	-8.9	6.6	2.3	1.7
Spain	-10.8	5.1	4.8	3.3
Japan	-4.5	1.6	2.4	2.3
UK	-9.4	7.4	3.7	1.2
Canada	-5.2	4.6	3.9	2.8
Other advanced economies	-1.9	5.0	3.1	3.0
Emerging market and developing economies	-2.0	6.8	3.8	4.4
Emerging and developing Asia	-0.9	7.3	5.4	5.6
China	2.3	8.1	4.4	5.1
India	-7.3	8.9	8.2	6.9
ASEAN5 <sup>b</sup>	-3.4	3.4	5.3	5.9
Emerging and developing Europe	-1.8	6.7	-2.9	1.3
Russia	-2.7	4.7	-8.5	-2.3
Latin America and the Caribbean	-6.9	6.8	2.5	2.5
Brazil	-3.9	4.6	0.8	1.4
Mexico	-8.2	4.8	2.0	2.5
Middle East and Central Asia	-2.8	5.7	4.6	3.7
Saudi Arabia	-4.1	3.2	7.6	3.6
Sub-Saharan Africa	-1.7	4.5	3.8	4.0
Nigeria	-1.8	3.6	3.4	3.1
South Africa	-6.4	4.9	1.9	1.4

Note: <sup>a</sup> Projections. <sup>b</sup> Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

Source: IMF.

In the advanced economies group, growth is expected to reach 3.3 percent in 2022. Most economies in this group will continue to recover this year, including the United States (3.7 percent), Japan (2.4 percent), the United Kingdom (3.7 percent), Germany (2.1 percent), France (2.9 percent), Italy (2.3 percent), and Spain (4.8 percent). The emerging and developing economies group will grow at a rate of 3.8 percent overall in 2022 (see in particular the growth forecast for India at 8.2 percent, and that for China at 4.4 percent in the same year). However, the pace and strength of the recovery will vary in other sub-regions of this group in 2022: Middle East and Central Asia (4.6 percent), Sub-Saharan Africa (3.8 percent), Latin America (2.5 percent), and emerging and developing Europe (-2.9 percent).

For 2022 inflation is projected at 5.7 percent in advanced economies and 8.7 percent in emerging market and developing economies. Worsening supply-demand imbalances – including war-related imbalances – and a further increase in commodity prices could also lead to persistently high inflation, rising inflation expectations, and stronger wage growth. In particular, fuel and food prices have increased rapidly, hitting vulnerable populations in low-income countries. Increased inflation will force central banks to face the trade-offs between containing price pressures and safeguarding growth. Interest rates will rise as central banks tighten the monetary policy, exerting more pressure on emerging market and developing economies.

Fiscal policy should depend on the threat of war, the status of the pandemic, and the strength of the

recovery. After a huge and necessary fiscal expansion in many countries during the pandemic, debt is higher than ever, and governments are more exposed than ever to higher interest rates. Yet, the need for consolidation should not prevent governments from prioritizing spending and targeting support to the vulnerable – including refugees, those struggling with high commodity prices, and those affected by the pandemic. When fiscal space permits and monetary policy is constrained at the national level – for example, by the effective lower bound or in a monetary union – more extensive fiscal support may be warranted, depending on the severity of the decline in aggregate demand. However, such support should be used in a way that does not exacerbate existing supply-demand imbalances and price pressures. Moreover, a large number of countries have limited fiscal policy scope to cushion the negative impact of the war on their economies.

In addition to the current challenges of war and pandemic, policymakers should also aim for longer-term goals. The disruption caused by the pandemic has revealed the productivity of new types of work. Governments should continually drive structural change and support digital transformation, as well as retooling and retraining of workers to meet the challenges it presents. Carbon pricing and fossil fuel subsidy reform seem necessary for the rapid transition to green energy and clean production that is less dependent on fossil fuel prices, which is more important than ever given the impact of war on the global energy market.