

# Global economy

## IMF sees slower pace of global expansion

- **2013 global GDP forecast revised down to 3.3%**
- **Downward revisions to the outlooks for the US, UK, Eurozone and China contrast with upward revision to growth in Japan**
- **Japan upturn linked to aggressive policy easing, UK encouraged to do more**

The [International Monetary Fund](#) cut its global growth forecast for this year from 3.5% to 3.3%, barely any stronger than the 3.2% expansion of 2012. Slower growth is expected in the US, China and the UK than had been anticipated last winter, and the eurozone is set to see a steeper downturn, but the outlook has improved for Japan. Growth is expected to pick up to 4.0% in 2014, similar to the expansion seen in 2011.

The reduction in the forecasts in part reflects a weaker start to 2013 than previously envisaged, rather than a more fundamental darkening of the outlook. In contrast, the fund noted there were less downside risks now due to the reduced likelihood of a euro area break up and the avoidance of the fiscal-cliff in the US.

However, the revisions to the forecast bring debate about policy stances firmly into the limelight, especially in the UK. The upward revision to Japan's economic outlook reflects the substantially more aggressive fiscal and monetary policy stance recently adopted by the Japanese government and the Bank of Japan. In contrast, the larger than average downward revision to the UK's outlook was blamed on the weakness of private demand which the IMF noted called for a more flexible approach to the UK government's austerity programme, implying fiscal policy should be used to boost demand and create a more sustainable recovery.

Of the major economies, the **UK** saw the largest downward revision to its expected growth, with the country now expected to expand by 0.7% instead of 1.0%. The country is still expected to see the recovery gain momentum in 2014, however, when GDP is expected to rise by 1.5%, but that also represents a 0.3% downgrading from the Fund's previous estimate of 1.8% growth.

### IMF GDP projections

	Actual 2012	Forecasts		Change from prior forecast	
		2013	2014	2013	2014
World	3.2	3.3	4.0	-0.2	0.0
Advanced Economies	1.2	1.2	2.2	-0.1	0.1
Emerging Markets	5.1	5.3	5.7	-0.2	-0.1
United States	2.2	1.9	3.0	-0.2	-0.1
Euro Area	-0.6	-0.3	1.1	-0.2	0.0
Germany	0.9	0.6	1.5	0.1	0.0
France	0.0	-0.1	0.9	-0.4	0.0
Italy	-2.4	-1.5	0.5	-0.4	0.0
Spain	-1.4	-1.6	0.7	-0.1	-0.1
Japan	2.0	1.6	1.4	0.4	0.7
United Kingdom	0.2	0.7	1.5	-0.3	-0.3
Canada	1.8	1.5	2.4	-0.3	0.1
Russia	3.4	3.4	3.8	-0.3	0.0
China	7.8	8.0	8.2	-0.1	-0.3
India	4.0	5.7	6.2	-0.2	-0.1
Brazil	0.9	3.0	4.0	-0.5	0.1
Mexico	3.9	3.4	3.4	-0.1	-0.1

In the **US**, growth for this year was revised down from 2.1% to 1.9%, but nevertheless means the IMF still expects the US to lead the major developed economies in terms of recovery. That outperformance is set to endure in 2014, when the world's largest economy is forecast to grow by some 3.0%.

The IMF only slightly tweaked its outlook for **China**, for which it now expects GDP to rise by 8.0% in 2013 and 8.2% in 2014, revised down a mere 0.1% and 0.3% respectively compared to the winter forecasts.

The **eurozone** is meanwhile expected to see a steeper downturn than previously thought, with the economy contracting 0.3% instead of a more marginal 0.1% decline this year. However, the outlook for the single currency area is unchanged in 2014, when GDP is expected to rise by 1.1%. German growth in 2013 is set to be offset by downturns in Spain, Italy and - to a lesser extent - France.

In **Japan**, in contrast, the IMF's outlook has brightened. Growth is expected to reach 1.6% this year against a prior forecast of 1.2% and growth for 2014 is doubled to 1.4%.

[Click here for the full IMF report](#)

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