

The IMF sees a third of the world in recession by end 2023

The IMF revised its forecasts for world growth down for next year at its annual meeting. It now expects Germany and Italy to show negative growth next year, with the UK up by just 0.3% and the USA by 1%. The IMF revised UK growth for the current year up to 3.6%, ahead of USA, China, Japan and Germany. It reflected many other forecasts in expecting inflation to fall throughout the advanced world next year including the UK.

The IMF expects the UK' central government net debt to be at 68.5% of GDP next year, and down to 56.5% by 2027, well below the levels forecast in the USA, France, Italy and Japan but above Germany. Those who value external independent forecasts might like to take this into account when commenting on the UK economy.

The IMF thinks one third of the world economy will be in recession between today and the end of next year. The IMF does warn countries against wide ranging schemes of price controls and subsidies, worrying that these stop price acting as a signal to put in more capacity to increase supply, and blunting the impact of price on demand. They warn that long periods of price control and subsidy lead to shortages of supply, refusal to invest in new capacity, and black market activity.

They also rightly warn Central Banks both against too low a money policy to fuel the inflation, and against too tight a policy to produce a recession.