IMF's World Economic Outlook: October 2024

The narrative in brief

Global growth is expected to remain stable yet underwhelming. However, there are upgrades to the forecast for the United States which will offset downgrades to those for other advanced economies, especially the largest European countries. Likewise, in emerging markets and developing economies, disruptions to production and shipping of commodities—especially oil, conflicts, civil unrest, and extreme weather events have led to downward revisions to the outlook for the Middle East, Central Asia and sub-Saharan Africa. These have been compensated for by upgrades to the forecast for emerging Asia, where surging demand for semiconductors and electronics, driven by significant investments in artificial intelligence, has bolstered growth, a trend supported by substantial public investment in China and India. Five years from now, global growth should reach 3.1% which would still be a mediocre performance compared with the pre-pandemic average.

Focus going ahead

As global disinflation continues, services price inflation remains elevated in many regions, pointing to the importance of understanding sectoral dynamics and of calibrating monetary policy accordingly. With cyclical imbalances in the global economy waning, near-term policy priorities should be carefully calibrated to ensure a smooth landing. At the same time, structural reforms are necessary to lift medium-term growth prospects, while support for the most vulnerable should be maintained.

How about commodity prices?

Oil prices are expected to rise by 0.9% in 2024 to about $81 a barrel as production cuts by OPEC+, sustained global oil demand growth, and geopolitical tensions in the Middle East offset strong non-OPEC+ supply growth. Overall, however, prices for fuel commodities are projected to fall on average by 3.8%—owing to declines in prices of natural gas (by 16.4%) and coal (by 18.0%) as they come off their 2022 peaks. Food prices are expected to decline by 5.2% in 2024 and by a further 4.5% in 2025 as global grain production is forecast to reach record highs in 2024–25.

The central bank perspective

Compared with that in April 2024, the anticipated trajectory of policy rates for major central banks in advanced economies has shifted. In the euro area, 100 basis points of cuts are expected in 2024 and 50 basis points in 2025, bringing the policy rate to 2.5% by June 2025. In the United States, the Federal Reserve pivoted to cutting rates in September, starting with a 50 basis point drop. The federal funds rate is projected to reach its long-term equilibrium of 2.9% in the third quarter of 2026, almost a year earlier than what was expected in April. In Japan, however, policy rate projections have been revised upward reflecting the Bank of Japan's rate hike in July. The policy rate is projected to continue to rise gradually over the medium term toward a neutral setting of about 1.5%, consistent with keeping inflation and inflation expectations anchored at the Bank of Japan's 2% target.

Fiscal action to be taken

Governments in advanced economies are on average expected to tighten their fiscal policy stances in both 2024 and 2025, halving primary deficits by 2029. However, contrasts between the euro area and the United States are important. In the baseline, the US fiscal deficit is only marginally trimmed down, remaining at about 6.1% in 2029, with about half of this reflecting interest rate expenses. Under current policies, the US public debt is not stabilized, reaching almost 134% of GDP in 2029. In the euro area, on the other hand, the debt-to-GDP ratio is expected to have stabilized already at about 88%.

Growth prospects for the world economy

Growth rates, in numbers (%)

GDP growth projections	2023	2024	2024
World	**3.3**	**3.2**	**3.2**
Advanced economies	***1.7***	***1.8***	***1.8***
USA	2.9	2.8	2.2
Euro	0.4	0.8	1.2
Germany	-0.3	0.0	0.8
France	1.1	1.1	1.1
Italy	0.7	0.7	0.8
Spain	2.7	2.9	2.1
Japan	1.7	0.3	1.1
UK	0.3	1.1	1.5
Emerging markets	***4.4***	***4.2***	***4.2***
China	5.2	4.8	4.5
India	8.2	7	6.5
Russia	3.6	3.6	1.3
Brazil	2.9	3.0	2.2
Mexico	3.2	1.5	1.3
South Africa	0.7	1.1	1.5
Other indicators			
World trade	0.8	3.1	3.4
World Consumer prices	6.7	5.8	4.3
Advanced economies	4.6	2.6	2
Emerging and developing	8.1	7.9	5.9

In the United States, projected growth for 2024 has been revised upward to 2.8% on account of stronger outturns in consumption and non-residential investment. The resilience of consumption is largely the result of robust increases in real wages (especially among lower-income households) and wealth effects. Growth is anticipated to slow to 2.2% in 2025 as fiscal policy is gradually tightened and a cooling labour market slows consumption. With GDP growth lower than potential, the output gap is expected to start closing in 2025.

In the euro area, growth seems to have reached its lowest point in 2023. GDP growth is expected to pick up to a modest 0.8% in 2024 as a result of better export performance, in particular of goods. In 2025, growth is projected to rise further to 1.2%, helped by stronger domestic demand. Rising real wages are expected to boost consumption, and a gradual loosening of monetary policy is expected to support investment. Persistent weakness in manufacturing weighs on growth for countries such as Germany and Italy. However, while Italy's domestic demand is expected to benefit from the European Union–financed National Recovery and Resilience Plan, Germany is experiencing strain from fiscal consolidation and a sharp decline in real estate prices.

Growth is expected to decelerate in Japan in 2024, with the slowdown reflecting temporary supply disruptions and fading of one-off factors that boosted activity in 2023, such as the surge in tourism. Growth is revised to 0.3% for 2024, reflecting a temporary supply disruption in the car industry and the base effect of historical data revisions. An acceleration to 1.1% is predicted in 2025, with growth boosted by private consumption as real wage growth strengthens.

In the United Kingdom, in contrast, growth is projected to have accelerated to 1.1% in 2024 and is expected to continue doing so to 1.5% in 2025 as falling inflation and interest rates stimulate domestic demand.

In a manner similar to that for advanced economies, the growth outlook for emerging market and developing economies is remarkably stable for the next two years, hovering at about 4.2% and steadying at 3.9% by 2029. And just as in advanced economies, offsetting dynamics are occurring between country groups.

- Emerging Asia's strong growth is expected to subside, from 5.7% in 2023 to 5.0% in 2025. This reflects a sustained slowdown in the region's two largest countries. In India, the outlook is for GDP growth to moderate from 8.2% in 2023 to 7% in 2024 and 6.5% in 2025, because pent-up demand accumulated during the pandemic has been exhausted, as the economy reconnects with its potential.
- In China, the slowdown is projected to be more gradual. Despite persisting weakness in the real estate sector and low consumer confidence, growth is projected to have slowed only marginally to 4.8% in 2024, largely thanks to better-than-expected net exports. Recent policy measures may provide upside risk to near-term growth.
- In contrast, growth in the Middle East and Central Asia is projected to pick up from an estimated 2.1% in 2023 to 3.9% in 2025, as the effect on the region of temporary disruptions to oil production and shipping are assumed to fade away.
- In Latin America and the Caribbean, growth is projected to decline from 2.2% in 2023 to 2.1% in 2024 before rebounding to 2.5% in 2025. In Brazil, growth is projected at 3.0% in 2024 and 2.2% in 2025. Stronger private consumption and investment in the first half of the year, government transfers, and smaller-than-anticipated disruptions from floods would better growth prospects. However, with the still-restrictive monetary policy and the expected cooling of the labour market, growth is expected to moderate in 2025. In Mexico, growth is projected at 1.5% in 2024, reflecting weakening domestic demand on the back of monetary policy tightening, before slowing further to 1.3% in 2025 on a tighter fiscal stance. Overall, offsetting revisions leave the regional growth forecast broadly unchanged since April.

How have prices moved?

Deep production cuts by OPEC+, totalling 5.86 million barrels per day (mb/d), have put a floor on prices, partially offsetting strong output growth in non-OPEC+ countries, led by Canada, Guyana, and the United States. Fears of a broader regional escalation of tensions in the Middle East have added a volatile risk premium to oil prices, though no major supply disruptions have occurred so far. A rise in Red Sea maritime attacks has dislocated seaborne oil flows, decreasing traffic through the Suez Canal by almost two-thirds and largely rerouting it around the Cape of Good Hope, though tanker rates for both products and crude oil have dropped back to pre-conflict prices. Russian oil, exported primarily to China and India, has been trading above the Group of Seven price cap for most of the past year—but at a $15–$20 discount to Brent.

- Futures markets suggest that prices will rise by 0.9% year over year to average $81.3 a barrel in 2024 and then fall to $67.0 in 2029. Risks to this outlook are tilted to the downside. Upside price risks from an escalation of the Middle East conflict or from a prolonged extension of OPEC+ cuts are outweighed by risks of weaker oil demand in China and the United States—which collectively account for almost 40% of global demand—as well as in Japan and other advanced economies, and a rise in OPEC+ production to regain market share.

The IMF's metals price index increased by 7.7% between February and August 2024. Gold prices surged by 21.9% to record highs against the US dollar, driven by geopolitical uncertainty, expectations of US rate cuts, and past US consumer price index (CPI) inflation. Conversely, iron ore prices fell by 19.9% affected by reduced demand from the steel and construction sectors in China. Copper aluminum) prices soared by 8.1 (7.8) % reaching a record nominal high in early July, fuelled by growing Demand from renewable energy sources, electricity grids, electric vehicles, and data centres. However, starting in July, both copper and aluminum prices retrenched on account of weaker demand projections from China.

Between February and August 2024, the IMF's food and beverages price index decreased slightly, by 2.4% as large price increases for beverages were more than offset by decreases in prices for other food categories. Cereal prices declined by 14.3% with global grain production forecast to reach a record high over marketing year (MY) 2024–25. Cocoa prices increased by 20.4% peaking at a record high in April, due to decline in global cocoa supply on account of El Niño and crop diseases in West Africa. Coffee prices rallied, rising by 33.8% following weather-related supply concerns in key producers Brazil and Vietnam. Rice prices declined by 7.5% retreating from a multiyear peak reached in January of this year, as crop conditions improved in India and other parts of Asia. Upside risks stem from further trade disruptions in the Black Sea and new food export restrictions. Larger-than-expected harvests constitute the most important downside risk.

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