

## IMF: Ukraine war slowed economic recovery

The International Monetary Fund (IMF) recently published their April 2022 World Economic Outlook (WEO) report, titled “War Sets Back Global Recovery.” We went over the report in issue 561 of the *Sunday Spotlight*.

The report addresses how global economic prospects have worsened significantly, since the last forecast in January. IMF had initially projected the global recovery to strengthen from 2022-Q2 after the short-lived impact of the Omicron variant. Since then however, the outlook has deteriorated largely because of the war in Ukraine, and the sanctions that have followed.

Global economic growth is projected at 3.6% in both 2022 and 2023, having been revised downwards by -0.8 and -0.2 percentage points (pp), respectively (compared to the outlook published in January 2022). Similarly, growth projections for advanced and emerging economies were also revised downwards for both years. This means that contrary to expectations at the start of the year, economic growth will be subdued for 2022 and 2023.

**Table 1: Revisions in World Trade Projections**

					Diff. From January 2022 report		
					2022	2023	
World Trade Volume		2020	2021	2022	2023		
		-8.2	10.1	5.0	4.4	-1.0	-0.5
Advanced Economies	Import	-9.0	9.5	6.1	4.5	-2.0	0.0
	Export	-9.4	8.6	5.0	4.7	-1.1	0.0
Emerging Economies	Import	-8.0	11.8	3.9	4.8	-1.7	-0.9
	Export	-5.2	12.3	4.1	3.6	-1.7	-1.5

What is likely of more interest to the container shipping industry, is the growth in world trade. Although the report measures trade in monetary terms, we, in an earlier *Sunday*

*Spotlight*, showed a highly significant positive relationship between merchandise trade and container demand. As shown in table 1, growth projections for world trade were heavily revised downwards across the board in 2022, with global trade projected to grow by 5.0% in 2022 (down -1.0 pp from January), whereas imports and exports in the advanced economies are projected to grow at 6.1% (-2.0 pp) and 5.0% (-1.1 pp), respectively. The same metrics across the emerging economies are projected to grow at 3.9% (-1.7 pp) and 4.1% (-1.7 pp), respectively in 2022.

While the report also looks at several individual countries, one important point of note is that IMF projects a severe recession in Russia, projecting a 2022 economic contraction of -8.5% (-11.3 pp) and a slightly lower contraction of -2.3% (-4.4 pp) in 2023.

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