

ECONOMY

Global recession will be 'less severe' as advanced economies come to rescue

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The world economy is likely to experience a "less severe though still deep" recession this year than previously expected, as prospects have worsened significantly in some developing economies while large advanced markets have reported stronger-than-expected growth out-turns, the International Monetary Fund (IMF) said yesterday.

The fund's World Economic Outlook estimated the global economy would contract by 4.4 per cent this year, less than the 4.9 per cent downturn it forecast in June. And growth next year was projected to rebound to 5.2 per cent, or 0.2 percentage point lower than the June estimate.

Even though recent data suggested many economies had started to recover at a faster pace than anticipated after reopening from the so-called Great Lockdown, the recovery was not assured while the coronavirus pandemic continued to spread, the IMF said.

Prospects for China were much stronger than for most other emerging market and developing economies, and it was projected to be the only Group of 20 economy to record positive growth this year.

China's economy looked to grow 1.9 per cent this year, an upgrade of 0.9 percentage point from the IMF's forecast in June, given signs that the recovery accelerated in the third quarter. The world's second-largest economy was still expected to grow 8.2 per cent next year, unchanged from the June projection.

"While the recovery in China has been faster than expected, the

global economy's long ascent back to pre-pandemic levels of activity remains prone to setbacks ... [which] will likely be long, uneven and uncertain," the report said.

Emerging market and developing economies other than China were projected to contract 5.7 per cent this year before posting growth of 5 per cent next year. However, the projected rebound by the end of next year would not be sufficient to return to the 2019 level of activity, the IMF said.

1.9%

Forecast growth in China's economy this year, a rise of 0.9 percentage point from the June estimate by the International Monetary Fund

The pandemic would reverse the progress made since the 1990s in reducing global poverty and would increase inequality, as close to 90 million people could fall below the US\$1.90-a-day income threshold of extreme deprivation this year, the fund said.

Developed countries will fare better. The United States is expected to contract 4.3 per cent this year before growing 3.1 per cent next year, while the euro zone is estimated to shrink 8.3 per cent and then grow 5.2 per cent.

Yesterday, China's imports surged as its trade recovery continues to gather steam. Exports grew 9.9 per cent in September from a year earlier, while imports climbed 13.2 per cent, the strongest increase since December, according to customs data.