

Recovery is running out of steam



Floyd Norris

OF THE CHARTS

Economic growth is faltering worldwide, the International Monetary Fund said this past week, as it forecast that most of the large developed economies would either shrink this year or grow at paltry rates of 2 percent or less. Developing economies will do better, but their forecasts are falling as well.

"The world economic recovery continues, but it has weakened further," the fund's chief economist, Olivier Blanchard, said at a news conference in Tokyo, where the I.M.F. and the World Bank were holding their annual meetings. "In advanced economies, growth is now too low to make a substantial dent in unemployment, and in major emerging markets, growth, which had been strong earlier, has also decreased."

As can be seen in the accompanying chart, only Japan and the United States, among the large industrialized countries, are now expected to grow at rates of more than 2 percent this year, and both are pegged to grow at a rate of just 2.2 percent. The figures refer to growth for the entire year relative to the year before, not to a comparison with the fourth quarter of each year.

In April, the I.M.F. forecast that global growth would be 3.5 percent in 2012 — the slowest rate in three years — but would rise to 4.1 percent in 2013. Now it forecasts growth of just 3.3 percent this year, and 3.6 percent in 2013.

The British economy, which in April was expected to post modest growth of

Dimming prospects

The International Monetary Fund updated its world economic outlook this week, showing that it now expects less growth in 2012 and 2013 in nearly every region of the world than it did in the spring of this year. But it still thinks most countries will do a little better in 2013 than they will this year.

Annual economic growth estimates made in April (■) and October (■)

	2012		2013		2012-13 change in estimates	
	April	October	April	October	Pct. change	Pct. point change
World	+3.5%	+3.3	+4.1%	+3.6	+0.6	+0.3
Advanced economies	+1.4	+1.3	+2.0	+1.5	+0.6	+0.2
United States	+2.1	+2.2	+2.4	+2.1	+0.3	-0.1
Euro area	-0.3%	-0.4	+0.9	+0.2	+1.2	+0.6
Germany	+0.6	+0.9	+1.5	+0.9	+0.9	Unch.
France	+0.5	+0.1	+1.0	+0.4	+0.5	+0.3
Italy	-1.9	-2.3	-0.3%	-0.7	+1.6	+1.6
Spain	-1.8	-1.5	+0.1	-1.3	+1.9	+0.2
Japan	+2.0	+2.2	+1.7	+1.2	-0.3	-1.0
Britain	+0.8	-0.4	+2.0	+1.1	+1.2	+1.5
Emerging economies	+5.7	+5.3	+6.0	+5.6	+0.3	+0.3
Russia	+4.0	+3.7	+3.9	+3.8	+0.1	-0.1
China	+8.2	+7.8	+8.8	+8.2	+0.6	+1.4
India	+6.9	+4.9	+7.3	+6.0	+0.4	+1.1
Brazil	+3.0	+1.5	+4.1	+4.0	+1.1	+2.5
Mexico	+3.6	+3.8	+3.7	+3.5	+0.1	-0.3

Source: International Monetary Fund

0.8 percent this year, now is expected to shrink by 0.4 percent.

Some of the sharpest cuts in the forecasts came in major developing economies, with the forecast of Brazil's growth this year having been cut in half, to 1.5 percent.

But Mr. Blanchard emphasized that "we do not see these developments, be it in China, India or Brazil, as signs of hard landing in any of these countries." He added, "Indeed, we see positive policy measures being taken in all three countries, but the numbers suggest that

these countries are going to have lower growth for some time, at least lower than some of the very high growth rates that we saw in earlier times."

Brazil is still seen as likely to experience a rapid rebound in growth, rising to 4 percent in 2013. The fund's World Economic Outlook praised the country for "targeted fiscal measures aimed at boosting demand in the near term" and for easing its monetary policy — adding to the money supply to stimulate economic activity.

In general, the report praised central

banks in developing countries for their innovative ways of easing monetary policy, like bond purchases. It said that at the moment, fiscal stimulus was likely to have a larger impact than it normally would, though the ability of countries to apply such stimulus was limited by the need to bring deficits under control over the longer term.

Growth rates are expected to rise in most countries in 2013, but not in the United States, where the rate is expected to dip to 2.1 percent, or in Japan, where it is expected to fall to 1.2 percent.