

Global Economy

Global economy fends off geopolitical and banking threats

China, US, eurozone, India and UK well-placed to avoid slowdown going into IMF-World Bank spring meetings



China is likely to reach its 5% growth target this year despite an increasingly state-dominated economy © AFP via Getty Images

Chris Giles in London APRIL 9 2023

The world's leading economies are showing surprising resilience despite facing a perilous moment, according to research for the Financial Times that suggests the global economy may avoid a sharp slowdown this year.

China, the US, the eurozone, India and the UK are all growing faster [than had been](#) expected late last year, the latest edition of the twice-yearly Brookings-FT [tracking index](#) found, with consumer and business confidence rising after a rocky end to 2022. As recently as January, central banks and institutions such as the IMF were bracing for a severe downturn.

The research comes as global policymakers prepare to meet in Washington at the IMF and World Bank's spring meetings this week. The fund is expected to confirm that the global economy will grow at a stronger rate than it forecast at its last meetings in October.

There is little sign of the recessions that some analysts had feared, despite high inflation and rising geopolitical and financial risks.

Despite this, managing director Kristalina Georgieva [has warned](#) that medium-term prospects for the global economy are at their bleakest since 1990.

Eswar Prasad, senior fellow at the Brookings Institution, a Washington-based think-tank, said [the recent banking turmoil](#) in Europe and the US was "exposing the frailties of financial systems in the major economies and adding to concerns about medium-term growth".

Policymakers, especially central bankers, were “floundering” in an environment of rapidly multiplying risks, he said.

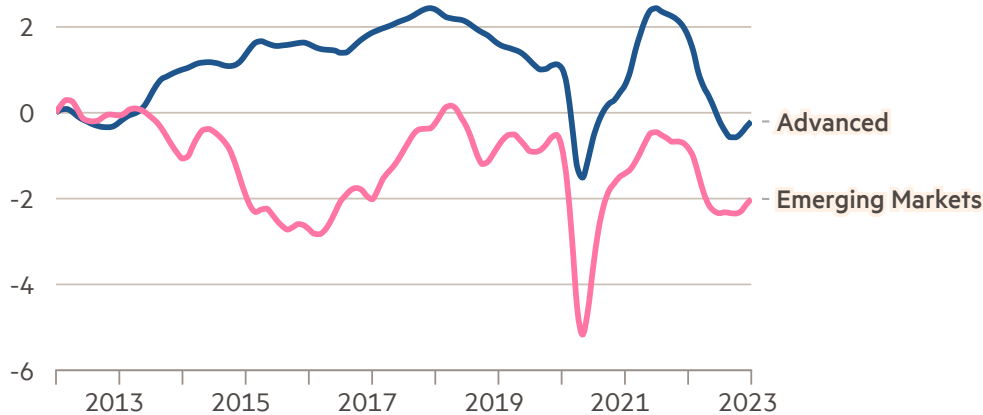
Despite that, the index suggested the world’s two largest economies would perform better than expected by analysts in the autumn.

China was “poised to register strong growth in 2023”, Prasad said, while the US economy continued “its surprising run despite numerous headwinds”.

China’s recovery would stem from the end of its zero-Covid policy and a slowdown in the subsequent wave of infections, with the country likely to reach its 5 per cent growth target this year despite an increasingly state-dominated economy.

Confidence indicators have turned a corner after a steep plunge in 2022

Index of the historical strength of a range of confidence indicators



FINANCIAL TIMES

Sources: FT/Brookings

Banking stresses in the US could derail the current strength in consumer spending and [employment growth](#). But a soft landing was still possible, Prasad said, with expectations of inflation easing.

The eurozone and the UK were past the worst of their difficulties from 2022, with wholesale gas prices down more than 80 per cent compared with the peaks last summer. High inflation would constrain growth, however.

India was seeing the benefit of economic reforms of recent years and was poised for another year of strong growth, according to the index.

The Brookings-FT Tracking Index for the Global Economic Recovery (Tiger) compares

THE BROOKINGS-FT TRACKING INDEX FOR THE GLOBAL ECONOMIC RECOVERY (Tiger) compares indicators of real activity, financial markets and confidence with their historical averages, both for the global economy and individual countries.

The main composite index showed economic conditions to be close to historic averages both in advanced and emerging economies. While hard data had deteriorated since the autumn, confidence indicators had picked up as had financial markets, especially in emerging economies.

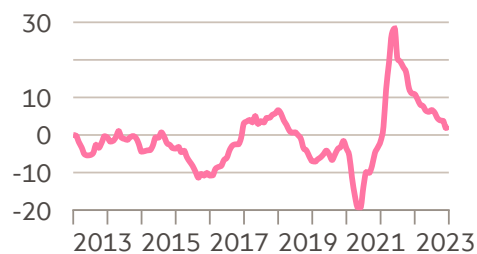
Growth momentum in the global economy has returned to its historic average level

Index of the historical strength of a composite range of indicators
Zero denotes indicators at historical average

Advanced



Emerging Markets



FINANCIAL TIMES

Sources: Brookings/FT

Prasad said that, although activity was tracking historic averages, the global economy faced significant headwinds.

The research “underscores a perilous moment for the world economy, with persistently high inflation, banking sector turmoil, and geopolitical risks threatening to derail growth”, he said.

If these materialised, they would “take a toll on household and business confidence and are likely to impinge negatively on medium-term growth”, he warned.

Leading emerging economies were benefiting from inherent dynamism and improved policy frameworks, but outside these economies the outlook was considerably worse, according to the Tiger index.

Low-income and frontier economies were suffering the most as a result of rising debt-servicing costs, weak export demand, and the limited ability of governments to stimulate growth while maintaining the confidence of international financial markets.

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