



What Does The IMF Say?

In January, the International Monetary Fund (IMF) released its latest projections for global economic growth across various countries and regions.

Over shorter time spans there is surprisingly little correlation between a country's real Gross Domestic Product (GDP) growth rate and the performance of its stock market. However over more extended periods, sustained growth is imperative as the PRIMARY driver of returns.

The IMF anticipates a global growth rate of 3.1%, holding steady at this level for the next 2 years, but with a high degree of disparity among regions and countries. (see table below) The 2024 projection is a decline from the 3.5% in 2022 and lower than historical growth which averaged 3.8% from 2000 to 2019.

Key Insights

1) US Economic Resilience

The United States, the world's largest economy, has shown resilience. Particularly in the latter half of 2023, an anticipated growth rate still above 2% is expected to decline in 2025.

2) European Challenges

Major European economies, Germany and France remain weak, hovering on the brink of recession. The Euro area growth rate is expected to come in at less than 1% in 2024.

3) Mixed Fortunes in Emerging Markets

Emerging markets present a varied picture. China's growth rate is continuing to slow, primarily due to challenges in the property market. Conversely India is expected to achieve robust growth of 6.5% annually over the next couple of years.

4) South Africa's Downward Revision

South Africa's growth rate has been revised down to an expected 1%. According to the IMF, this is mainly due to increasing logistical constraints.

5) Inflation Trends

Inflation has been falling faster than expected, especially in China.

6) Impact of Higher Borrowing Costs

Rising borrowing costs are exerting a cooling effect on demand, with commercial real estate particularly feeling the pressure.

Table 1: World Economic Outlook Growth Projections

(Real GDP, annual percent change)	ESTIMATE	PROJECTIONS	
	2023	2024	2025
World Output	3.1	3.1	3.2
Advanced Economies	1.6	1.5	1.8
United States	2.5	2.1	1.7
Euro Area	0.5	0.9	1.7
Germany	-0.3	0.5	1.6
France	0.8	1.0	1.7
Italy	0.7	0.7	1.1
Spain	2.4	1.5	2.1
Japan	1.9	0.9	0.8
United Kingdom	0.5	0.6	1.6
Canada	1.1	1.4	2.3
Other Advanced Economies	1.7	2.1	2.5
Emerging Market and Developing Economies	4.1	4.1	4.2
Emerging and Developing Asia	5.4	5.2	4.8
China	5.2	4.6	4.1
India	6.7	6.5	6.5
Emerging and Developing Europe	2.7	2.8	2.5
Russia	3.0	2.6	1.1
Latin America and the Caribbean	2.5	1.9	2.5
Brazil	3.1	1.7	1.9
Mexico	3.4	2.7	1.5
Middle East and Central Asia	2.0	2.9	4.2
Saudi Arabia	-1.1	2.7	5.5
Sub-Saharan Africa	3.3	3.8	4.1
Nigeria	2.8	3.0	3.1
South Africa	0.6	1.0	1.3
Memorandum			
Emerging Market and Middle-Income Economies	4.2	4.0	4.0
Low-Income Developing Countries	4.0	5.0	5.6

Table Source/s: IMF, World Economics Outlook Update (January 2024)

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2023/2024 (starting in April 2023) shown in the 2023 column. India's growth projections are 5.7 percent in 2024 and 6.8 percent in 2025 bases on calendar year.

In summary, an economy's GDP growth rate functions as an important "economic health indicator". While it's not the sole determinant for investors, especially in the short term, its significance lies in its ability to encapsulate broader factors such as political stability, property rights, and a robust regulatory environment.



Ian De Lange CA(SA)

Chief Investment Officer

For any questions or assistance please feel welcome to reach out to our Investment team on investmentteam@seedinvestments.co.za

Follow Us On Social Media

