

## *Econ Brief!*

### Global Economic Growth

According to the International Monetary Fund (IMF), the global economy is still in recession, but a slow recovery is ahead. It has revised its forecast of the global economy from 1.9 to 2.5 percent in 2010.

This revised forecast reflects differing stages of recovery across the globe, with continued growth in emerging economies including China and slow recovery in the United States and Japan. Advanced economies will continue to lead the slump this year by shrinking 3.8 percent. They are projected to grow 0.6 percent in 2010. U.S. gross domestic product will shrink 2.6 percent this year before expanding 0.8 percent in 2010. Aggressive fiscal policies and increased demand from other Asian partners will help Japan to recover from a 6 percent decline in 2009 to 1.7 percent growth in 2010. Emerging and developing economies will grow 4.7 percent next year. China's growth would accelerate to 8.5 percent next year. India's economy will expand by 6.5 percent in 2010, after a 5.4 increase percent this year.

The key to the recovery from global recession depends on restoring household confidence and repairing the international banking system. The IMF said that while financial markets and confidence in an economic recovery have improved, policy makers must remain vigilant until a sustained recovery is under way. Credit risks are high, bank lending to the private sector is slowing and the recovery so far has been dependent primarily on public funds.

Source: Sandrine Rastello and Timothy R. Homan, Global Financial Stability Report, International Monetary Fund, July 8, 2009.