

Tougher Year Ahead?

written by Hamna Seyyed | January 9, 2023



According to the chief of IMF, 2023 is going to be a tough one. He says 2023 to be tougher for global economy than 2022. The International Monetary Fund (IMF) chief has warned that this year would be more difficult than 2022 for the majority of the global economy because of the sluggish growth in the United States, the European Union, and China. IMF's October drop of its global GDP outlook from 2.9 percent to 2.7 percent due to factors such as the conflict in Ukraine and significantly rising interest rates, keeping this in view these remarks were passed. Although there are concerns about China's longer-term trajectory, Georgieva stated that she predicted China's growth to improve before the end of the year. According to Georgieva, the conflict in Ukraine has deeply upset the EU, with half of the bloc anticipating a recession this year. However, the head of the IMF noted that the US economy has distinguished itself for its durability and may completely avoid contraction this year. 2023 will be a challenging year for most of the global economy as the primary drivers of global growth, the United States, Europe, and China, all see diminishing activity. Many analysts and investors are concerned that a U.S. recession is inevitable in 2023 due to geopolitical concerns, energy market imbalances, consistently high inflation numbers, and rising interest rates. The chance of a recession has increased throughout 2022 as a result of the Federal Reserve raising interest rates in an effort to combat inflation.



Considering reducing exposure to volatile stocks and increasing cash holdings may help. Cash may not be the most exciting play, but it reduces market risk and provides financial flexibility if a recession creates potential buying opportunities in 2023. Countries face a high risk of instability if there is political instability. The important factors in determining the countries' instability are undergoing political transitions constraints on ruling elites and the degree of public participation in polity. So, in order to overcome inflation, states should also take diplomatic steps also help. The whole world is together in this phase of recession and can altogether stop it from the economic depression through various diplomatic efforts.