

IMF chief predicts faster global recovery, warns fight isn't over



IMF director says global economy growing at a faster pace than the 5.5 percent gain projected at the start of the year. [Photo: Ludovic Marin, Pool via AP]

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Washington, March 31 (RHC)-- The head of the 190-nation International Monetary Fund says prospects for global growth have brightened since January, helped by a \$1.9 trillion United States rescue package.

But she warns that uneven progress in fighting the coronavirus pandemic could jeopardise economic gains.

IMF Managing Director Kristalina Georgieva said that when the IMF releases its updated economic forecast next week, it will show the global economy growing at a faster pace than the 5.5 percent gain it projected at the start of the year.

In remarks hosted by the Council on Foreign Relations, she said that the \$1.9 trillion support package that US President Joe Biden signed into law on March 11 and rising confidence from increased vaccinations in many advanced economies were primary reasons for the forecast upgrade.

Georgieva said that governments around the globe had taken extraordinary actions over the past year including providing a combined \$16 trillion in support and a massive injection of liquidity into the financial sector by the world's central banks. Without this prompt response, Georgieva said the last year's downturn would have been three times worse.

But she said economic prospects are "diverging dangerously" with the global economy now in a multi-speed recovery increasingly powered by two engines — the U.S- and China, the world's two biggest economies, while other countries fall behind. Georgieva said the world faced "extremely high uncertainty" with so much depending on the path of the pandemic with new strains of the virus now holding back growth prospects, especially in Europe and Latin America.

Private economists are forecasting that the U.S. economy could grow by 6 percent to 7 percent this year, which would be the best performance since 1984. But Georgieva said strong growth in the US could trigger a rapid rise in interest, which could trigger significant capital outflows from emerging-market and developing economies.

She said that emerging-market and low-income countries already have limited firepower to fight the crisis and are highly exposed to the declines in tourism and other sectors hit hard by the pandemic.

She said how to best address the pandemic would be the key agenda item when the IMF and its sister organisation hold their virtual spring meetings next week. Those discussions will also include a meeting of the finance ministers of the Group of 20 major industrial countries.

She said that the IMF estimates that faster progress in ending the health crisis could add almost \$9 trillion to global gross domestic product by 2025. "Given diverging recoveries, it is prudent to keep a close eye on financial risk, including stretched asset valuations," she said. "And major central banks have to carefully communicate their policy plans to prevent excess financial volatility at home and abroad."

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