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# A Postcard from Marrakech



Moritz Kraemer -- Chief Economist

LBBWResearch@LBBW.de

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## The global Economy keeps getting weaker

This week the international financial community is getting together for a family reunion in Morocco. As usual in October, the annual meeting of the International Monetary Fund (IMF) and the World Bank is taking place. This year, Marrakech is the venue, from where I am writing to you as part of the LBBW delegation.

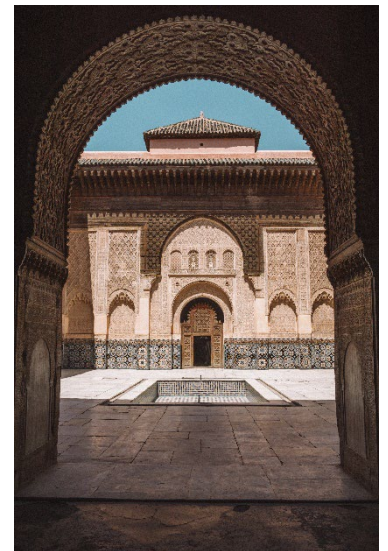
Even here, traces of the devastating earthquake in the nearby Atlas Mountains five weeks ago can still be seen. And it is a little surreal that the crème de la crème of the international financial scene is meeting in Marrakech, while just 70 kilometers away countless families have lost their homes and, above all, their loved ones. There is no lack of expressions of solidarity and praise for the government in Rabat for its crisis management.

### The global economy is weakening

Above all, of course, the annual meeting is about the opportunities and risks facing the global economy. The IMF's comprehensive semi-annual forecast, which is usually eagerly awaited by economists, once again gave little cause for celebration.

The Fund further lowered its forecasts. And not just for Germany. For the German economy, the IMF is now predicting a 0.5% contraction this year. This is exactly what LBBW Research has been forecasting since February. And while the IMF is forecasting a relatively bouncy recovery of +0.9% for Germany next year, we are more pessimistic at just +0.5%.

For the global economy as a whole, the Washington experts are predicting a meagre 3% this year and somewhat less again for 2024, namely 2.9%. That doesn't sound too bad, but it's well below the average growth of 3.8% for the years 2000 to 2019. Here, too, we are even slightly more pessimistic here (see chart).



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## IMF reduces growth forecast

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At the same time, the IMF, like LBBW Research, expects inflation rates to continue to fall. However, for once, we are more optimistic about the global inflation rate: China is already struggling with deflation, and the latest inflation data surprised rather positively, especially in Europe. Inflation targets are likely to be mostly met again in 2025.

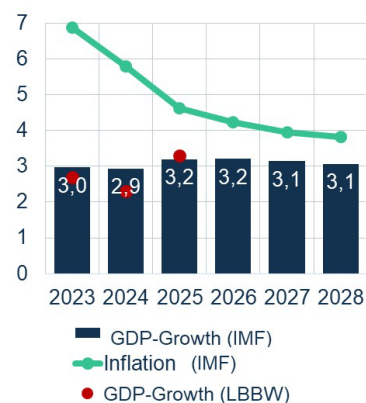
This is good news, as it would be tantamount to a soft landing for the global economy after the inflation and interest rate shocks. Accordingly, the mood among delegates in Marrakech is not as bad as it was last year, when a veritable energy crisis seemed likely.

### The view toward the horizon remains gloomy

In terms of the future, however, there is little reason to feel good. At 3.1%, the five-year average forecast to 2028 for the global economy is lower than it has been for decades. Emerging and developing countries in particular are likely to struggle, slowing the convergence of global living conditions – with all the social, environmental and migration consequences that entails.

The deepening of geopolitical fault lines, especially between China and the U.S., will severely dampen global momentum. For an export-oriented nation like Germany, these are worrisome prospects. That is why Berlin must now take a firm stance against these growing risks and ensure that at least domestic business conditions improve.

### Forecasts of the World Economy (in %)



Source: IMF, LBBW Research

Open [Link](#) for my CNBC live interview from Marrakesh (in English)



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