

The global economy

Last updated: December 2009

The global economy

In the estimation of the head of the International Monetary Fund (IMF), Dominique Strauss-Kahn, the most serious economic crisis in decades could be overcome by the autumn of 2010 at the latest. If unemployment declines, it could be that "we will be looking back on this recession in the next ten to twelve months", said the IMF Director. At present it is a question of whether the recovery that has now set in will also be a lasting one and that governmental anti-crisis programmes involving billions of Euros are not cut back again too fast. In a committee of the IMF, 25 finance ministers spoke in favour of retaining the programmes as long as the economic recovery has not yet gained a secure foothold. This statement also met with the support of the Finance Ministers from the G7 states, who demanded that the economic stimulus programmes should be discontinued at the "right" time.

How dramatically the global economy developed in 2009 is made clear by a comparison of the last few years. Whereas from 1971 the global economy grew by an annual average of 3.6 %, for 2009 the IMF for the first time predicted negative growth of 1.1 %. The experts of the IMF do not now expect to see a renewed rise in the global economy of 3.1 % until 2010 (*Source: IMF Database; October 2009*).

The global volume of container traffic is directly influenced by the developments of the global economy and of global trade. Over the past 20 years it increased on average by approx. 10 % a year. As a direct consequence of the waning global economy and global trade we are now for the first time seeing a decline in global container turnover of approx. 9.4 %. For the coming year, the experts of Clarkson Research predict that these volumes will rise again by about 3.5 % (*Source: Clarkson Research, October 2009*).

As things appear at present, global trade will have decreased by about 11.9 % in 2009 due to the drop in demand on the part of consumers and producers. This is a significant decline as compared with the prior year (2008: + 3.0 %). The forecasts for 2010 on the other hand indicate renewed growth of 2.5 % (*Source: IMF Database, October 2009*).

A massive deployment of money and fiscal policies was necessary on the part of international central banks in order to counteract a crisis of confidence and to avoid a repetition of the mistakes that were made in the economic crisis of the 1930s. It almost appeared as if countries all over the world wanted to outdo each other with anticyclical programmes and bank rescue plans. To avoid a credit squeeze, those responsible for the policies of the national central banks did all they could to help out the surviving banks with liquidity on favourable terms. Despite these international relief measures, global trade frequently faced liquidity bottlenecks in connection with the granting of urgently needed letters of credit, and this was to have negative effects.

According to an IMF forecast, in the year 2010 the most important industrial nations and communities of states will again be able to record economic growth (see chart on page 3).

In Europe and Germany, the sentiment indicators have improved substantially in comparison with the spring in 2009. The volume of orders on hand and production also recovered unexpectedly fast from sharp setbacks. The predicted economic growth in the euro zone will, after a decline of 4.2 % in 2009, probably again increase by 0.3 % in 2010. For Germany the experts of the IMF expect to see the economy decline by 5.3 % in 2009 and are here too predicting economic growth of 0.3 % for the year 2010 (*Sources: Research of the Landesbank Hessen-Thüringen, September 2009; IMF Database, October 2009*).

The USA swung back onto a path of expansion in the second half of the year 2009 and this is likely to be sustained within the framework of economic growth, especially as financial and monetary policies will provide positive stimuli far into the year 2010. The process of reducing the indebtedness of private households is being held up by the aftermath of the housing construction bubble, which argues against a rapid economic recovery. For the year 2009, the USA will not do better than negative economic growth of 2.7 %. The experts do not expect to see a consolidation of the national budget before 2011 and are forecasting moderate economic growth of 1.5 % for 2010, which fails to match up to the years 2004 to 2006 (on average 3.2 %). (Sources: Research of the Landesbank Hessen-Thüringen, September 2009; IMF Database, October 2009).

China's economy seems to be well on the way to achieving its growth target in 2009 of 8.0 % despite falling exports due to state and private investment. Thanks to the state anticyclical programme of some 400 billion Euro, investments rose by one third in the first nine months. Retail sales grew by 15.5 % in comparison with the corresponding year-earlier period and industrial production achieved similar growth with 13.9 % at the latest count, which indicates a revival of foreign demand and thus rising exports. For 2010 the experts of the IMF reckon with renewed strong growth of the Chinese economy of 9.0 % (Source: IMF Database, October 2009).

In its outlook for the current year and next year, the IMF arrives at a positive assessment. Industrial production world-wide will this year shrink by only 1.1 % as against the 1.4 % that were still being predicted in July. With global growth put at 3.1 %, at the same time the forecast for 2010 was corrected upwards by 0.6 %. The true growth locomotives in the coming year will again be the threshold countries. And right up at the front among these are China at 9.0 %, India at 6.4 % and Brazil at 3.5 %.

Overview of development

Economic growth (gross domestic product)	2007	2008	2009*	2010*
USA	+ 2.1 %	+ 0.4 %	- 2.7 %	+ 1.5 %
China	+13.0 %	+ 9.0 %	+ 8.5 %	+ 9.0 %
Japan	+ 2.3 %	- 0.7 %	- 5.4 %	+ 1.7 %
India	+ 9.4 %	+ 7.3 %	+ 5.4 %	+ 6.4 %
Russia	+ 8.1 %	+ 5.6 %	- 7.5 %	+ 1.5 %
Brazil	+ 5.7 %	+ 5.1 %	- 0.7 %	+ 3.5 %
European Union	+ 2.7 %	+ 0.7 %	- 4.2 %	+ 0.3 %
Germany	+ 2.5 %	+ 1.2 %	- 5.3 %	+ 0.3 %
Latin America	+ 5.7 %	+ 4.2 %	- 2.5 %	+ 2.9 %
Whole world	+ 5.2 %	+ 3.0 %	- 1.1 %	+ 3.1 %
Global trade	+ 7.3 %	+ 3.0 %	- 11.9 %	+ 2.5 %

* Forecast

Source: IMF Database, World Economic Outlook, October 2009