

## IMF Forecasts Slower Momentum for Worldwide Economic Growth in 2015 By Nahal Bahri, J.D. Candidate 2015 | July 6, 2014

Today, Managing Director of the International Monetary Fund (“IMF”), Christine Lagarde gave a [talk at the Davos](#) at Provence meeting in France where she discussed the IMF’s [forecasts](#) on worldwide economic growth. The IMF’s global economic outlook will be released later in July, but the outlook could be similar to the report released earlier in April. In April, the IMF “had forecast that global output would grow by 3.6 percent in 2014 and 3.9 percent in 2015.”

The IMF expects economic activity to gain momentum “in the second half of the year and accelerate in 2015, although momentum could be weaker than expected.” [Lagarde](#) went on to advise countries to “boost growth by investing in infrastructure, education and health, provided [that] their debt stays sustainable.”

Part of the reason why Lagarde thinks the momentum for growth will not be as strong as expected is that “potential growth is weaker and investment ... remains subdued.” One way to combat this is to see greater public and private investments. Now is the best time for some countries to increase public investments but not all countries can afford doing this. Public investments could potentially weigh down “on debt-to-GDP ratios.”

Furthermore, she went on to [state](#) that with the “marked rebound in the U.S. economy . . . [g]rowth should accelerate . . . as long as the Federal Reserve's withdrawal from its easy monetary policy is orderly and there is a precise medium-term budget framework.” [Despite these forecasts](#), “the U.S. Labor Department reported Thursday that employers added 288,000 jobs in June, lowering the unemployment rate to 6.1 percent, the lowest since 2008. It was the fifth straight monthly gain of at least 200,000 jobs, the best run since the late 1990s.”

European countries are continuing to struggle for various reasons. Lagarde explained that part of the reason Europe has not bounced back since the financial crisis stems from “inflation that is too low in Europe, high debt levels in many countries and geopolitical threats, including in Ukraine and the Middle East.”

Shifting the focus to China, Lagarde believes that the slowdown in growth will not be as severe. China’s economy is expected to grow 7-7.5%. The official IMF World Economic Outlook report is expected to be released near the end of the month.