

IMF warning of a long and severe slump

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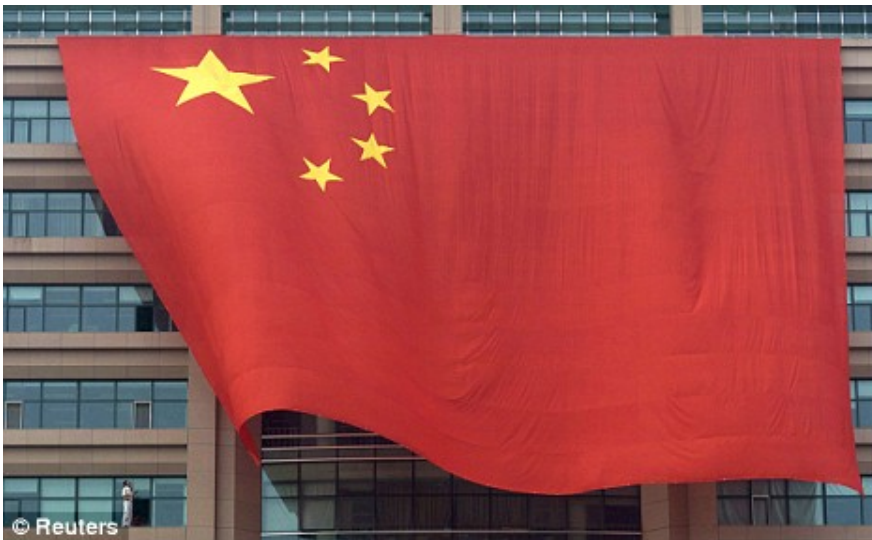
By [Sam Fleming](#)

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The International Monetary Fund yesterday delivered a stark analysis of the global economic slump, predicting that the downturn is likely to be 'unusually long and severe'.

Recovery, when it eventually comes, is likely to be only faltering, and the IMF said it was understandable that commentators are now drawing parallels between the current crisis and the Great Depression of the 1930s.

The dark warnings came as figures revealed China's economy is growing at its slowest pace in 10 years as exports falter.



While China's economy continues to expand, the IMF says the global economic slump is set to run and run

While China is still expanding, IMF analysis showed that 15 of 21 advanced economies are in recession, with more expected to follow.

Past experience shows that recessions stemming from financial crises tend to be more painful than more ordinary downturns sparked by macro-economic problems.

On top of this, the fact that there is a coordinated global slump makes matters even worse, the IMF argued.

Since 1960, there have only been six recessions out of 122 associated with such a dire set of conditions.

In a section of its World Economic Outlook, the IMF said: 'The current downturn is highly synchronised and is associated with a deep financial crisis, a rare combination in the postwar period.

'Accordingly, the downturn is likely to be unusually severe, and the recovery is expected to be sluggish.

'It is not surprising, therefore, that many commentators looking for historical parallels for the current episode focus on the Great Depression of the 1930s.'

Depressions involve a peak-to-trough slump in output of over 10 per cent, according to IMF calculations.

The Fund's bleak report came despite more optimistic noises from some politicians, including Barack Obama, who earlier this week talked of 'glimmers of hope'.

Stock markets have put in a more robust performance in recent weeks as well, with the FTSE 100 staging an 84 point rally yesterday.

While China's headline figures showed a slowdown in gross domestic product growth to 6.1 per cent in the first quarter, down from 6.8 per cent in the previous three months, other parts of the Asian economy were more robust.

A 30 per cent surge in urban fixed-asset investment in March and a jump in industrial output suggested Beijing's fiscal stimulus efforts may be bearing fruit.

<http://www.dailymail.co.uk/money/article-1170815/IMF-warning-long-severe-slump.html?printingPage=true>