

GLOBAL ECONOMIC GROWTH TENDENCIES AND RECESSIONAL DEVELOPMENTS

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Abstract

The early 21st century saw rapid rates of global economic expansion, which came to a stop in 2008. Financial and economic crises, then sluggish growth, higher unemployment, and increased poverty. Unfavorable developments for the global economy marked the start of the third decade of the twenty-first century. problems in the geopolitical and geo-economic spheres, a slowdown in economic growth, ongoing inflation, rising levels of poverty, etc. Approximately 70 countries, accounting for more than 80% of global GDP, are currently at risk of recessionary trends. The World Bank projects 5.2% global inflation, 4% global interest rates, a 1.7% maximum global economic contraction, and finds that the world is extremely near to entering a recession in 2023. In the contemporary context, a new conceptual framework is required to guarantee the advancement of economic growth and sustainable development.

Keywords: recession, inflation, rising interest rates, sustainable development.

Introduction

The beginning of the 21st century saw rapid integration processes, unforeseen changes, and uncertainty. The cost of consumer products and services was falling everywhere in the world. The combination of low prices and rising wages served to significantly boost consumption. China has emerged as the market leader in on-demand services thanks to its cutting-edge technology and inexpensive labor. In the pre-crisis period, particularly in 2007 the global GDP grew almost two times compared to the average of the 1990s. The growth rate in developing countries exceeded that of developed countries by about 3.6 times. The world economy entered a phase of overheating. However, in 2008-2009 an unprecedented crisis unfolded in its manifestations, which had an inhibitory effect on the further development of the economy in many countries of the world. The first post-crisis decade was accompanied by declining trends in global economic growth. In 2019, compared to 2010, GDP grew by only 20% in developed countries, and by 57% in developing countries (Tab. 1, Fig. 1).

Table 1

Dynamics of the global GDP (%)

Countries	2001-2010	2017	2018	2019
World	3.9	3.8	3.6	3.0
Developed countries	1.7	2.5	2.3	1.7
Developing countries	6.2	4.8	4.5	3.9

Source: [https://www.tradingeconomics.com/statistics/indicators/GDP growth trends](https://www.tradingeconomics.com/statistics/indicators/GDP%20growth%20trends)
2001-2010 average annual rate

C. Global growth

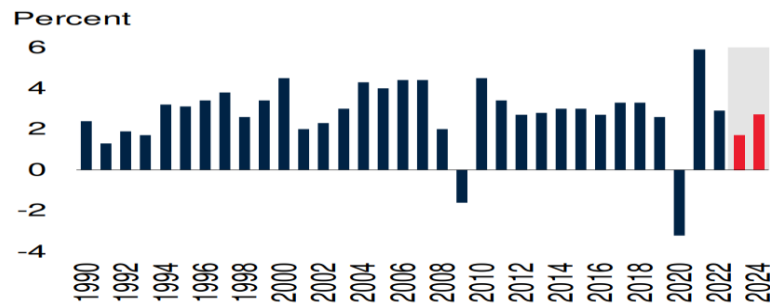


Fig. 1 Change in global GDP growth rates in 1990-2024
Source: World Bank. Global Economic Prospects - January-2023, fig 1.1.C, p. 5

The situation worsened under the COVID-19 pandemic and post-pandemic developments (Fig. 2).

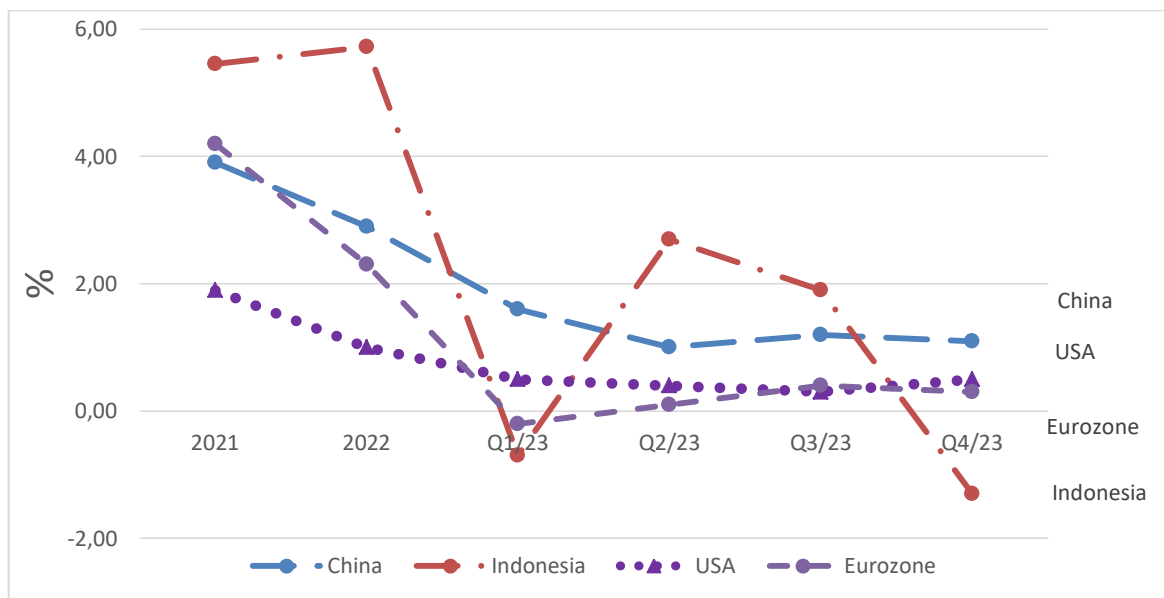


Fig. 2 Change in global GDP growth rates in 2021-2023
Source: [https://www.tradingeconomics.com/statistics/indicators/GDP growth trends](https://www.tradingeconomics.com/statistics/indicators/GDP%20growth%20trends)

Investments aimed at promoting productivity, development of new infrastructures, R&D (research and development) growth trends could not provide the necessary level of development, unemployment and poverty levels increased, and the growing gap between

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welfare levels deepened. For the world economy in 2023-2024 tougher times of recessionary developments are forecast.

Conflict Setting

The purpose of the research is to study the trends of global economic growth slowdown and recessionary developments in the face of geo-economic global risks and current challenges. In order to achieve the stated goal, the following tasks are set:

- analyze trends in global economic development and identify manifestations of global economic growth slowdown and recessionary developments
- assess the risks and challenges of economic developments in the context of current global economic developments.

Research Results

1. Global economic growth trends and current issues.

Wealth concentration and inequality.

The "The Global Inequality" study created by Bloomberg economists in 2022 reveals that over the previous 20 years, the difference between global welfare levels has expanded drastically as the rich have gotten richer and the poor have been poorer. The world's richest 10% own 76% of the world's wealth. In 2021, according to data, 520,000 people in the world own 11% of the world's wealth (in 2020, it was 10%), and 2,755 billionaires owned 3.5% of the world's wealth, which is 2% more than before the pandemic. Inequality has deepened most in developed countries. A certain increase in wealth was also recorded in developing countries, particularly in Russia and Central Asia: 45.9%, in East Asia: 30%, and in South and Southeast Asia: 34.3% [1]. Such concentrations of wealth have hindered the rise of living standards and inclusive development.

World debt

Due to the growing debts in the world economy, a difficult situation has been created. Global public and private debt reached a 70-year high of 257% of GDP in 2020, falling to 247% of GDP in 2021 at \$235 trillion. Debt has declined in developed economies (to the extent of 5% of their GDP) and there are slight downward trends in developing countries, with the exception of China, where public debt was 55.5% in 2021, but has doubled over the past year. reaching nearly \$1 trillion.

The dynamics of debt vary greatly between country groups. In 2021–2022, Japan saw a significant growth in debt (259% and 262% of GDP, respectively), Singapore saw a rise from 131% to 160%, and the United States saw a rise from 127% to 129%. The danger associated with low- and middle-income countries' capacity to service their debt is also rising. 60% of low-income countries and 25% of emerging countries are on the verge of a debt crisis [2].

Rising interest rates and inflationary pressures.

Inflationary pressures are a concern against the backdrop of weakening global economic development prospects and, despite modest declining tendencies, are predicted to be high in 2023. High inflation was recorded in the United Kingdom and the Eurozone. US inflation in 2021 and 2022 was 7.1% and 6.5%, respectively, which exceeds the inflation target by about 2% (Fig. 3).

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In Turkey in 2021 inflation was 84.39%, but in 2022 decreased to 64.27%, and in 2023 29.6% is predicted for the end. 2022 Inflation was also high in the Russian Federation - 11.9%, which will decrease to 6% in 2023, according to the forecast. Despite China's relatively low inflation, according to experts, China will be one of the centers of recession due to other factors.

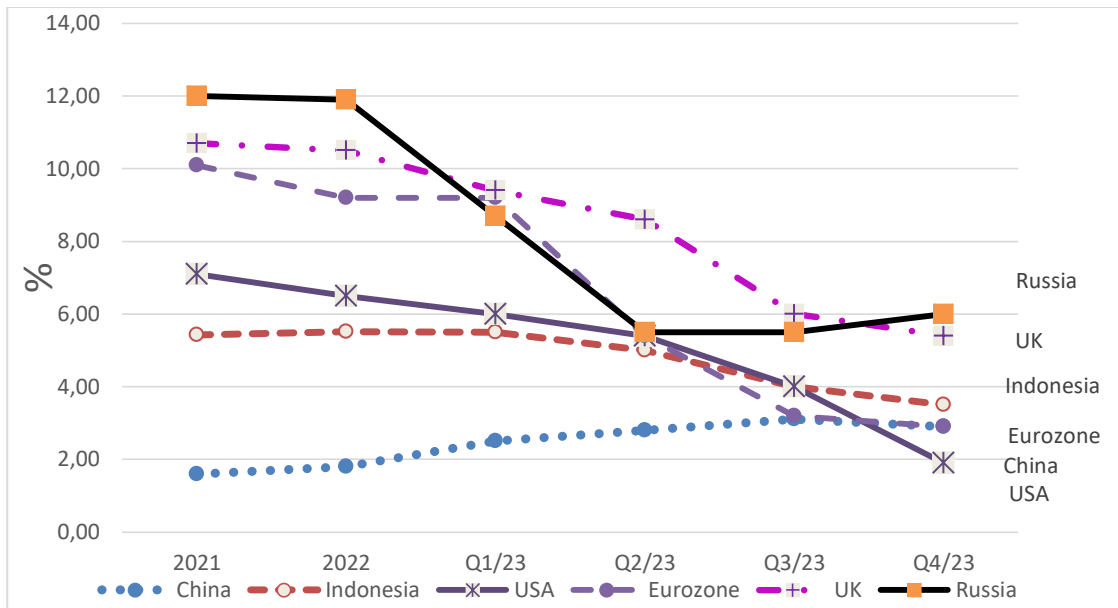


Fig. 3 Inflation rates by countries in 2021, 2022, 2023

Source: <https://www.tradingeconomics.com/statistics/indicators/inflation> rate trends

Global inflation is currently greater than expected, according to World Bank projections. As a result, worldwide inflation will steadily decrease, reaching 5.2% in 2023 and 3.2% in 2024. Thus, inflation in many countries may remain above pre-pandemic (2015-2019) averages and central bank targets for a long time. According to the forecasts of the World Bank, in 2023 central banks will raise global monetary policy rates to 4%, reducing global inflation to nearly double the forecast of around 5% [3]. Interest rate growth trends are also worrying (Fig. 4).

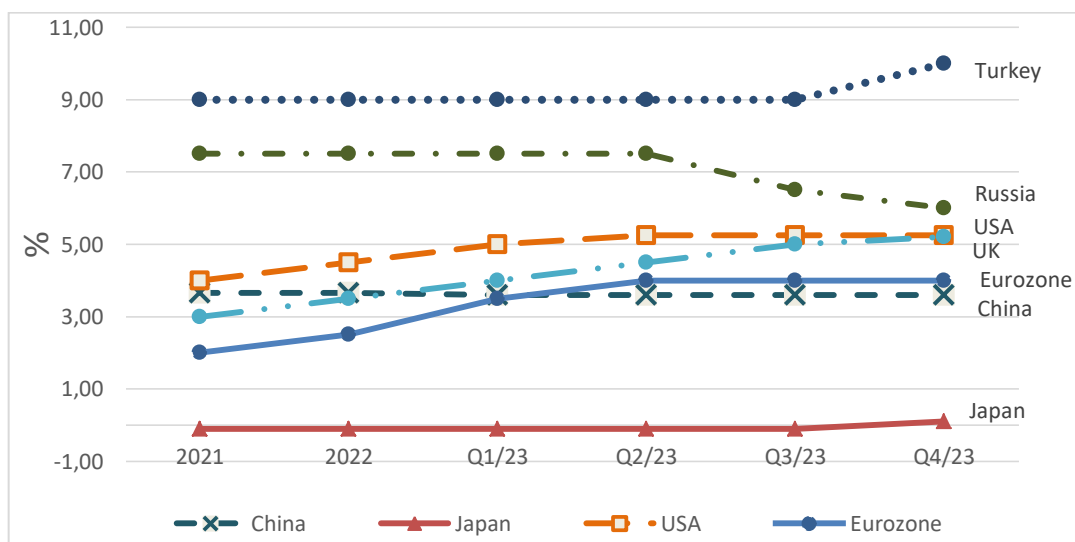


Fig. 4 Interest rate growth rates by country: 2021, 2022, 2023

Source: [https://www.tradingeconomics.com/statistics/indicators/interest rate trends](https://www.tradingeconomics.com/statistics/indicators/interest%20rate%20trends)

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A comparison of the countries' interest rate and inflation trends shows that they are growing regularly (Figures 4 and 5). Some deviations were observed in the case of Turkey (very high inflation and relatively low interest rate) and Brazil (low inflation and high interest rate). Tab. 2 shows the results of the correlation analysis between indicators of global economic development.

Table 2**Correlation of global indicators**

Index	2021	2022	2023 prediction	Correlation between indicators	Correlation factor's value
World GDP growth rate, %	6	3,2	2,7	Between world GDP growth rate and world inflation rate	-0,734
Global inflation rate, %	4,7	8,9	6,5	Between global GDP growth rate and global interest rate	-0,997
World interest rate, %	1,85	4,4	4,6	Between world interest rate and world inflation rate	0,78

Source of information:

- *World GDP growth rate:* Source: [https://www.tradingeconomics.com/statistics/indicators/GDP growth trends](https://www.tradingeconomics.com/statistics/indicators/GDP%20growth%20trends)
- *Global inflation rate:* Source: . [https://www.tradingeconomics.com/statistics/indicators/inflation rate trends](https://www.tradingeconomics.com/statistics/indicators/inflation%20rate%20trends),
- *World interest rate:* Source://www.tradingeconomics.com/statistics/indicators/interest%20rate%20trends

The analysis of the relationship between the world GDP growth rate and the world inflation rate and the world interest rate shows:

- a highly positive direct relationship between the world interest rate and the rate of inflation,
- high inverse relationship between world GDP growth rate and interest rate,
- a high inverse relationship between the growth rate of world GDP and the rate of inflation.

This means that with global inflation and interest rates continuing to rise, trends in global economic growth will continue to slow.

2. Current manifestations of global economic growth and recessionary developments.

According to the American Bloomberg news agency, 2023 will be an unpleasant year for the global economy. The worst indicator since 1993 (apart from the crisis of 2008–2009 and the pandemic period of 2020) shows that economic growth will decelerate to 2.4% from the forecasted 3.2%. From 2023, the economies of the Eurozone will go into recession, the main factors contributing to which will be the Russian-Ukrainian conflict and the energy crisis in that context, inflation, etc. In 2023, a recession is predicted with a 70% probability in the USA [4].

According to J.P. Morgan, even if global economic growth will slow to 1.6% in 2023 (0.8% in rich nations, 2.9% in developing nations), there won't be a global recession [5].

According to the forecast of the International Monetary Fund, in 2023 a third of the world will enter recession, taking into account the impact of the Ukraine war on the European economy and the simultaneous slowdown of economic growth in the United States, Europe and China [6].

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The estimates of the World Bank's "Global Economic Prospects" report [3] are worrying, according to which, under high inflation, rising interest rates, reduced investment and supply chain disruptions caused by the Russian-Ukrainian war, by 2023 the world economy will experience a sharp decline in growth to 1.7%, and in 2024 it will be 2.7% (Fig.1) This is the lowest growth in the last three decades (except for the crisis of 2008-2009) and it will still remain deeper than in the pre-pandemic period (2018: 3.3%, 2019: 2.6%). In 2023 economic growth will decrease in about 95% of developed economies and almost 70% of developing countries, and in 2024 economic growth will be reduced in about half of all countries in the world. Economic developments in 2023 will be extremely unfavorable in the USA (0.5% economic growth), in the Eurozone (the economy will not grow), in China (the growth rate will be almost 1% lower than previously predicted).

Even though developing nations have contributed significantly to the global economic crisis, the World Bank predicts that these nations will fare somewhat better than other nations. 3.4% growth will be seen in 2023. The economy of Russia in 2023 will decrease by 3.3%, and next year it will increase by 1.6%. In Ukraine in 2023 3.3% economic growth is predicted, and in 2024 - 4.1%. Economic growth in Georgia in 2023. will be 4%, in 2024 - 5%, in Azerbaijan - 2.8% and 2.6%, the economic growth in Armenia in 2023. will be 4.1%, 4.8% in 2024.

The World Bank also considers the debt crisis realistic, which will deepen as investment growth continues to remain below the average of the last two decades. Emerging market countries and developing economies face a prolonged period of slow economic growth due to high levels of debt burden and reduced investment inflows, as global capital flows are absorbed by advanced economies, which also face problems of extremely high levels of public debt and due to the increase in interest rates. According to the forecasts of the World Bank, inflationary pressure (5% in 2023) will continue to be a global risk, which is worrisome against the backdrop of the deterioration of global economic growth prospects and the possibility of recessionary developments.

N. Roubini predicts long-term inflation in both developed and developing economies. Rubin [7]. The world's central banks will find it difficult to reduce inflation without causing a severe recession, which in turn could cause problems for the global financial system due to the high indebtedness of both the private and public systems. On the one hand, central banks should cut interest rates to ease the debt problem, but on the other, doing so will make inflation worse. The study of the economic processes taking place in the groups of countries subject to the risk of stagflation, selected on a specific standard basis, deserves attention [8]. Recession manifestations are practically everywhere, from countries most actively involved in the world economy, to countries with weak involvement, which is why the forms, scales and depth of their manifestations are different. According to forecasts in 2023 and 2024 economic growth rates will be very low in Europe, North and South America, and the growth leaders will be Asian countries [9].

In our opinion, the evaluations and approaches regarding solutions coming out of the existing situation are superficial and unconstructive, which should be directly derived from the newly created situation, taking into account the current global risks and challenges. This is quite a difficult problem due to the constantly emerging new geo-economic and geo-political risks and challenges, uncertainty and unpredictability of the created situation.

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Conclusion

The continuous slowdown in global economic growth has hit nations that account for more than 80% of global GDP, 95% of developed economies, and 70% of emerging market and developing economies, bringing the world economy to a recessionary crisis today. The world is observing a global inflationary trend. In 2022 global inflation, out of control and reaching a rather high 7.6%, has become an obstacle to global economic progress and a serious precursor to recession.

The rising trends in bank interest rates are worrying. In terms of purely economic impulses, the created crisis situation and recessionary developments can be characterized as the result of transition from soft monetary policy to hard one. This calls into question the effectiveness and importance of the currently implemented monetary policy as a strategic tool for maintaining financial stability and a guarantee of economic progress. With global inflation and interest rates continuing to rise, global economic growth trends will continue to slow. The current recessionary developments are directly caused by geopolitical and geoeconomic impulses, becoming a serious threat to sustainable development.

Solutions emerging from the existing situation must be radically different from previous approaches and stem from the newly created situation. Here comes the need to revise and modernize the geopolitical and geoeconomic conceptual foundations and existing structures.

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ՀԱՄԱՇԽԱՐՀԱՅԻՆ ՏՆՏԵՍԱԿԱՆ ԱՃԻ ՄԻՏՈՒՄՆԵՐԸ ԵՎ ՌԵՑԵՍԻՈՆ ԶԱՐԳԱՑՈՒՄՆԵՐԸ

Սարիբեկյան Ա.Ս.

Երևանի պետական համալսարան

21-րդ դարի սկզբին ծավալված համաշխարհային տնտեսական աճի բարձր տեմպերը ավարտվեցին 2008 թ. ֆինանսատնտեսական ճգնաժամով, ինչին հաջորդեց տնտեսական աճի դանդաղումը, գործազրկության և աղքատության մակարդակի աճը: Համաշխարհային տնտեսության համար անբարենպաստ զարգացումներով սկսվեց նաև 21-րդ դարի երրորդ տասնամյասկը. աշխարհաքաղաքական և աշխարհատնտեսական մարտահրավերներ, տնտեսական աճի տեմպերի անկում, շարունակական գնաճ, աղքատության աճ: Այսօր ռեցեսիոն զարգացումների ռիսկերի են ենթակա համաշխարհային ՀՆԱ-ի ավելի քան 80%-ը ձևավորող շուրջ 70 երկրներ: Համաշխարհային բանկը 2023թ. համար կանխատեսում է գլոբալ գնաճ 5.2%, գլոբալ տոկոսադրույք 4%, գլոբալ տնտեսական անկում մինչև 1.7%: Ստեղծված իրավիճակում անհրաժեշտ է նոր հայեցակարգային հենքի վրա ապահովել տնտեսական աճի ու կայուն զարգացման առաջընթաց:

Բանալի բաներ. ռեցեսիա, գնաճ, տոկոսադրույքների աճ, կայուն զարգացում:

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**ТЕНДЕНЦИИ ГЛОБАЛЬНОГО ЭКОНОМИЧЕСКОГО
РОСТА И РЕЦЕССИОННЫЕ ПРОЦЕССЫ****Сарибекян А.С.***Ереванский государственный университет*

Высокие темпы роста мировой экономики, развернувшиеся в начале XXI века, завершились финансово-экономическим кризисом 2008 года, за которым последовало замедление экономического роста. Третье десятилетие XXI века началось с неблагоприятных для мировой экономики явлений: геополитические и геоэкономические вызовы, снижение темпов экономического роста, продолжающаяся инфляция, рост бедности. Сегодня около 70 стран, на долю которых приходится более 80% мирового ВВП, подвержены риску рецессии. В 2023 году Всемирный банк прогнозирует глобальную инфляцию на уровне 5,2%, глобальные процентные ставки на уровне 4%, глобальный экономический спад до 1,7%. В сложившейся ситуации необходимо обеспечить поступательный экономический рост и устойчивое развитие на новой концептуальной основе.

Ключевые слова: рецессия, инфляция, рост процентных ставок, устойчивое развитие.

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