Grotesque brain hamper recovery from economic crisis

By Euan Sutherland

The world economy is facing a double whammy of headwinds. On one hand, the threat of inflation and higher interest rates is causing the global central banks to raise rates to combat it. On the other hand, the US-led war in Ukraine is having a destabilising effect on global supply chains, causing shortages and price rises. These two factors are expected to slow global economic growth in the coming year.

The world’s central banks are moving to control inflation by raising interest rates, but this is causing a rise in the cost of borrowing, which in turn is slowing economic growth. The US Federal Reserve has raised rates by 0.5 percentage points since March, and is expected to raise them again in the coming months. Central banks in Europe and Asia are also raising rates.

The war in Ukraine has led to a shortage of raw materials and the disruption of supply chains, causing shortages and price rises. Some commodities, such as gas and oil, have seen prices rise by over 50% since the start of the war. This has led to higher inflation rates in many countries, and has put pressure on central banks to raise rates.

The combination of higher interest rates and the war in Ukraine is expected to slow global economic growth in the coming year. The International Monetary Fund (IMF) has revised its growth forecast for 2022 down to 3.6%, from 4.9% in 2021. The Organisation for Economic Co-operation and Development (OECD) has also revised its forecast down to 3.4%.

The global economy is facing a challenging period, and is expected to continue to slow in the coming year. The world’s central banks are expected to continue to raise rates to control inflation, and the war in Ukraine is expected to continue to cause shortages and price rises. The global economy is expected to continue to slow in the coming year.