# IMF cuts global growth forecast as Omicron spreads

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While it was certainly not its intention, the latest update of its *World Economic Outlook* (WEO) by the International Monetary Fund (IMF), issued earlier this week, is an indictment of the "let it rip" policies pursued by all capitalist governments in response to the COVID-19 pandemic.

The IMF report points to lower economic growth as a result of the continuing spread of the virus, together with the possibility that following Omicron, new and potentially even more infectious and severe mutations could develop, increasing the risks to the global economy.

What emerges from the report is that the present policies, based on the claim that an elimination strategy, using stringent public health measures, would cause too much economic damage, are in fact worsening the economic outlook.

The IMF also adds its voice to those calling for the suppression of wages on the grounds of fighting the inflation resulting from the pandemic.

Since its WEO report issued in October, the IMF notes that the outlook for the world economy has worsened. Global growth is expected to come in at 5.9 percent for 2021 and then fall to 4.4 percent in 2022, half a percentage point lower than previously estimated.

But this forecast may well be blown out of the water because it assumes that adverse health outcomes, including severe illness, hospitalisations and deaths, will come "down to low levels by the end of 2022"—something that is far from guaranteed.

A clear indication of the economic effects of the pandemic was provided in a blog by IMF chief economist Gita Gopinath. She noted that the global death toll had risen to 5.5 million and "accompanying economic losses are expected to be close to $13.8 trillion through 2024 relative to pre-pandemic forecasts." Of course, she did not mention that much of this devastation could have been averted if a global elimination policy had been pursued from the outset.

The IMF points to significant falls in economic growth in the major economies in 2022. The forecast for the US has been cut by 1.2 percentage points from the estimate of last October because of the blocking of the Biden administration's so-called Build Back Better fiscal package, tightening of monetary policy by the central bank and continued disruption to supply chains.

The growth estimate for Germany has been marked down by 0.8 percentage points, the euro area by 0.4 percentage points and the UK by 0.3 percentage points. The growth forecast for the Chinese economy is also revised down by 0.8 percentage points to 4.8 percent with "negative implications" for the prospects of its trading partners.

While the growth forecasts assume, without any evidence provided, that infections will fall, the IMF acknowledges that new variants may emerge the longer the virus circulates.

With inflation rising in the US, the Fed is moving to tighten monetary policy, not least to try to suppress workers' wage demands. The IMF report says this will produce tighter global financial conditions "putting pressure on emerging markets and developing economies." It will make borrowing more expensive and put a strain on public finances.

"For countries with high foreign currency debt, the combination of tighter financial conditions, exchange rate depreciations, and higher imported inflation will lead to challenging monetary and fiscal policy trade-offs," it states.

As always, a class war agenda is laid out in language that seeks to obscure its central meaning. What is being said is that poorer countries, already in the octopus-like grip of banks and finance houses, will have to cut social services and health facilities to pay off their debts to the financial oligarchs.

These prescriptions are not confined to the poorer countries. While it stated that inflation is expected to subside, again advancing no evidence, the IMF report said there was a "risk that persistently elevated living costs and tighter labour markets will compel workers to ask for (and firms to accede to) higher wages. The resulting higher labour costs would in turn push up prices further, perpetuating an inflationary cycle that would require aggressive policy action to combat."

In other words, if wage demands sparked by inflation cannot be contained, central banks will have to lift interest rates to higher levels, inducing a recession, in order to suppress them, returning to the road taken by the US Fed under the chairmanship of Paul Volcker in the 1980s.

The report also points to the prospect that public spending will be cut in order to repay the debts incurred by government.

"Public finances," it notes, "will come under strain in the coming months and years, as global public debt has reached record levels to cover pandemic-spending at a time when tax receipts plummeted… and as a result fiscal deficits will need to shrink in the coming years."

What this means in practice is further reductions in spending on health care, education and other social services. Of course, no mention is made of the fact that such facilities could be massively expanded by expropriating the vast fortunes accumulated by the pandemic billionaires.

The report contains something of a warning to the ruling elites, noting that: "Social unrest which had declined earlier in the pandemic, is once again on the rise in some countries—related in part to elevated food and energy prices."

In so far as it advances any strategy for dealing with the virus, the IMF places central emphasis on the take up of vaccines, even though it is well established that while necessary, they are far from sufficient.

But even within this framework it is forced to acknowledge the disastrous situation that has been created with the fully-vaccinated share of the population running at just 4 percent in low-income countries.

And in 86 countries, comprising more than a quarter of the world's population, "the aggregate shortfall of administered doses… was 974 million below the amount needed to meet the end-2021 target" with "nearly all countries in this group" facing "unpredictable supply."

The report says that without a world-wide effort to ensure the supply of vaccines and other measures "the virus will be more likely to mutate and further extend the pandemic's global grip."

But in line with the IMF's function as one of the international guardians of the profit system, the authors of the report obviously considered it would be just too impolite to even mention the fact that a central reason for the vaccination shortfall in poorer regions is the vaccine nationalism of the major powers and the refusal of the pharmaceutical companies to waive patent restrictions.