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Global

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IMF Cuts Global Growth Outlook

- After strong growth in 2017 and early 2018, global economic activity slowed notably in the second half of last year, reflecting a confluence of factors affecting major economies.
- China's growth declined following a combination of needed regulatory tightening to rein in shadow banking and an increase in trade tensions with the United States.
- The euro area economy lost more momentum than expected as consumer and business confidence weakened and car production in Germany was disrupted by the introduction of new emission standards; investment dropped in Italy as sovereign spreads widened; and external demand, especially from emerging Asia softened.
- US Federal Reserve signaled a more accommodative monetary policy stance and markets became more optimistic about a US-China trade deal, but they remain slightly more restrictive than in the fall.

- Trade tensions increasingly took a toll on business confidence and, so, financial market sentiment worsened, with financial conditions tightening for vulnerable emerging markets in the spring of 2018 and then in advanced economies later in the year, weighing on global demand.
- Because of these developments, global growth is now projected to slow from 3.6% in 2018 to 3.3% in 2019, before returning to 3.6% in 2020. Growth for 2018 was revised down by 0.1% relative to the October 2018 *World Economic Outlook* (WEO), reflecting weakness in the second half of the year, and the forecasts for 2019 and 2020 are now marked down by 0.4% and 0.1% respectively.
- The projected pickup in the second half of 2019 is predicated on an ongoing buildup of policy stimulus in China, recent improvements in global financial market sentiment, the waning of some temporary drags on growth in the euro area, and a gradual stabilization of conditions in stressed emerging market economies, including Argentina and Turkey.
- Beyond 2020, global growth is set to plateau at about 3.6% over the medium term, sustained by the increase in the relative size of economies, such as those of China and India, which are projected to have robust growth by comparison to slower-growing advanced and emerging market economies (even though Chinese growth will eventually moderate).
- Industrial production figures and surveys of purchasing managers suggest that the slower momentum in global growth during the second half of 2018 is likely to continue in early 2019.

Table 1.1. Overview of the World Economic Outlook Projections
(Percent change, unless noted otherwise)

	2018	Projections		Difference from January 2019 WEO Update ¹		Difference from October 2018 WEO ¹	
		2019	2020	2019	2020	2019	2020
World Output	3.6	3.3	3.6	-0.2	0.0	-0.4	-0.1
Advanced Economies	2.2	1.8	1.7	-0.2	0.0	-0.3	0.0
United States	2.9	2.3	1.9	-0.2	0.1	-0.2	0.1
Euro Area	1.8	1.3	1.5	-0.3	-0.2	-0.6	-0.2
Germany	1.5	0.8	1.4	-0.5	-0.2	-1.1	-0.2
France	1.5	1.3	1.4	-0.2	-0.2	-0.3	-0.2
Italy	0.9	0.1	0.9	-0.5	0.0	-0.9	0.0
Spain	2.5	2.1	1.9	-0.1	0.0	-0.1	0.0
Japan	0.8	1.0	0.5	-0.1	0.0	0.1	0.2
United Kingdom	1.4	1.2	1.4	-0.3	-0.2	-0.3	-0.1
Canada	1.8	1.5	1.9	-0.4	0.0	-0.5	0.1
Other Advanced Economies ²	2.6	2.2	2.5	-0.3	0.0	-0.3	0.0
Emerging Market and Developing Economies	4.5	4.4	4.8	-0.1	-0.1	-0.3	-0.1
Commonwealth of Independent States	2.8	2.2	2.3	0.0	0.0	-0.2	-0.1
Russia	2.3	1.6	1.7	0.0	0.0	-0.2	-0.1
Excluding Russia	3.9	3.5	3.7	-0.2	0.0	-0.1	0.0
Emerging and Developing Asia	6.4	6.3	6.3	0.0	-0.1	0.0	-0.1
China	6.6	6.3	6.1	0.1	-0.1	0.1	-0.1
India ³	7.1	7.3	7.5	-0.2	-0.2	-0.1	-0.2
ASEAN-5 ⁴	5.2	5.1	5.2	0.0	0.0	-0.1	0.0
Emerging and Developing Europe	3.6	0.8	2.8	0.1	0.4	-1.2	0.0
Latin America and the Caribbean	1.0	1.4	2.4	-0.6	-0.1	-0.8	-0.3
Brazil	1.1	2.1	2.5	-0.4	0.3	-0.3	0.2
Mexico	2.0	1.6	1.9	-0.5	-0.3	-0.9	-0.8
Middle East, North Africa, Afghanistan, and Pakistan	1.8	1.5	3.2	-0.9	0.2	-1.2	0.2
Saudi Arabia	2.2	1.8	2.1	0.0	0.0	-0.6	0.2
Sub-Saharan Africa	3.0	3.5	3.7	0.0	0.1	-0.3	-0.2
Nigeria	1.9	2.1	2.5	0.1	0.3	-0.2	0.0
South Africa	0.8	1.2	1.5	-0.2	-0.2	-0.2	-0.2
<i>Memorandum</i>							
European Union	2.1	1.6	1.7	-0.3	-0.1	-0.4	-0.1
Low-Income Developing Countries	4.6	5.0	5.1	-0.1	0.0	-0.2	-0.2
Middle East and North Africa	1.4	1.3	3.2	-0.9	0.3	-1.2	0.3
World Growth Based on Market Exchange Rates	3.1	2.7	2.9	-0.3	0.0	-0.4	0.0
World Trade Volume (goods and services)	3.8	3.4	3.9	-0.6	-0.1	-0.6	-0.2
Imports							
Advanced Economies	3.3	3.0	3.2	-1.1	-0.1	-1.0	-0.3
Emerging Market and Developing Economies	5.6	4.6	5.3	-0.5	-0.3	-0.2	-0.2
Exports							
Advanced Economies	3.1	2.7	3.1	-0.2	-0.3	-0.4	-0.3
Emerging Market and Developing Economies	4.3	4.0	4.8	-0.5	0.0	-0.8	0.0
Commodity Prices (US dollars)							
Oil ⁵	29.4	-13.4	-0.2	0.7	0.2	-12.5	4.2
Nonfuel (average based on world commodity export weights) ⁶	1.6	-0.2	1.1	2.5	-0.1	0.5	0.8
Consumer Prices							
Advanced Economies	2.0	1.6	2.1	-0.1	0.1	-0.3	0.1
Emerging Market and Developing Economies ⁷	4.8	4.9	4.7	-0.2	0.1	-0.3	0.1
London Interbank Offered Rate (percent)							
On US Dollar Deposits (six month)	2.5	3.2	3.8	0.0	0.0	-0.2	-0.1
On Euro Deposits (three month)	-0.3	-0.3	-0.2	0.0	-0.2	-0.1	-0.3
On Japanese Yen Deposits (six month)	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1

Source: IMF

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