

Tuesday 19<sup>th</sup> January 2016 – 4:30pm

International

Prepared by: Trevis Gangaya, Analyst I (Research and Analytics)

[Trevis.Gangaya@firstcitizenstt.com](mailto:Trevis.Gangaya@firstcitizenstt.com)

## IMF World Economic Outlook Update: Subdued Demand, Diminished Prospects

- According to the IMF World Economic Outlook Update, global growth, currently estimated at 3.1% in 2015, is projected at 3.4% in 2016 and 3.6% in 2017. The pickup in global activity is projected to be more gradual than in the October 2015 World Economic Outlook (WEO), especially in emerging market and developing economies.
- Three key transitions that continue to influence the global outlook include:
  - (1) the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services,
  - (2) lower prices for energy and other commodities
  - (3) a gradual tightening in monetary policy in the United States in the context of a resilient U.S. recovery as several other major advanced economy central banks continue to ease monetary policy.
- Moreover, in advanced economies, a modest recovery is expected to continue. The slowdown and rebalancing of the Chinese economy, lower commodity prices, and strains in some large emerging market economies will continue to weigh on growth prospects in 2016/17.
- Overall activity remains robust in the United States, supported by still-easy financial conditions and strengthening housing and labor markets. But there are also challenges stemming from the strength of the dollar, which is causing the U.S. manufacturing sector to shrink marginally.
- In the euro area, stronger private consumption supported by lower oil prices and easy financial conditions is outweighing a weakening of net exports.
- The update further stated that growth in Japan is also expected to firm up in 2016, on the back of fiscal support, lower oil prices, accommodative financial conditions, and rising incomes.
- The projected pickup in growth in the next two years, despite the ongoing slowdown in China, primarily reflects forecasts of a gradual improvement of growth rates in countries currently in economic distress, notably Brazil, Russia, and some countries in the Middle East, though even this projected partial recovery could be frustrated by new economic or political shocks.
- India and parts of emerging Asia are bright spots, projected to grow at a robust pace, whereas Latin America and the Caribbean will again see a contraction in 2016, reflecting the recession in Brazil and economic stress elsewhere in the region, even as most other countries in the region will continue to grow.
- Emerging Europe is expected to grow at a steady pace, albeit with some slowing in 2016, given that Russia could remain in recession in 2016. Most countries in

sub-Saharan Africa will see a gradual pickup in growth, but only to rates that remain lower than those achieved during the past decade.

- Conclusively, the IMF highlighted that the key risks to the global outlook remain tilted to the downside and relate to ongoing adjustments in the global economy:
  - (1) a generalized slowdown in emerging market economies,
  - (2) China's rebalancing, lower commodity prices, and the gradual exit from extraordinarily accommodative monetary conditions in the United States. If these key challenges are not successfully managed, global growth could be overturned.

	Estimate	Projections		Change from October 2015 WEO projections	
	2015	2016	2017	2016	2017
<b>World Output</b>	3.1	3.4	3.6	-0.2	-0.2
<b>Advanced Economies</b>	1.9	2.1	2.1	-0.1	-0.1
United States	2.5	2.6	2.6	-0.2	-0.2
Euro Area	1.5	1.7	1.7	0.1	0.0
<b>Emerging Market and Developing Economies</b>	4.0	4.3	4.7	-0.2	-0.2
Russia	-3.7	-1.0	1.0	-0.4	0.0
China	6.9	6.3	6.0	0.0	0.0
India	7.3	7.5	7.5	0.0	0.0
<b>LATAM and the Caribbean</b>	-0.3	-0.3	1.6	-1.1	-0.7
Brazil	-3.8	-3.5	0.0	-2.5	-2.3
Mexico	2.5	2.6	2.9	-0.2	-0.2

Source: International Monetary Fund (IMF)

All figures are percentage change, year on year



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