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International

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World Economic Outlook: Seeking Sustainable Growth – Short- Term Recovery, Long- Term Challenges

- According to the IMF's World Economic Outlook released today, global activity strengthened in the first half of 2017, reflecting firmer domestic demand growth in advanced economies and China and improved performance in other large emerging market economies.

Key Concerns Raised:

1. *The release further alluded to inflation being too low in many countries. That means that central banks have little room to respond to future economic weakness by cutting interest rates as they are already so low - because price rises are so subdued.*
2. *Additionally, the IMF continued to raise persistent concerns about weak growth in productivity, which impairs prospects for rising living standards.*
3. *Noteworthy, the rapid expansion of credit in China increases the risk of sharp slowdown there and the IMF says the government needs to intensify its efforts to reduce that danger.*

4. *There's also a hint of concern about the administration of President Trump when the report says that "uncertainty about policy is more of a concern than usual reflecting, for example, difficult-to-predict US regulatory and fiscal policies".*
- It is expected that world growth will increase from 3.2% in 2016 to 3.6% in 2017 and 3.7% in 2018—an upward revision of 0.1% point for both 2017 and 2018 relative to April.
 - Economic activity is projected to pick up speed in all country groups except for the Middle East, and forecasts of the strength of the outlook by region have changed only modestly.
 - Emerging markets and developing economies is anticipated to see strong growth as the IMF revised projections from 4.3% in 2016 to 4.6% in 2017 and 4.9% in 2018, a 0.1% for 2017 and 2018 relative to the April forecast.
 - India's growth forecast was slashed by 0.5% to 6.7% as the emerging giant grappled with the impact of currency reform and a new goods and services tax. Moreover, China's economy is expected to expand by 6.8% this year, up from its previous estimate of 6.7%, due to stronger recorded growth in the first half.
 - Economic growth in the euro zone was revised upwards from the July forecast by 0.2 percentage points for both 2017 and 2018 to 2.1% and 1.9% respectively, reflecting an export revival, stronger domestic demand due to accommodative financial conditions and a lowering of political risk. The IMF's forecast for the UK is the same as in its July report. It expects growth to slow from 1.8% in 2016 to 1.7% this year and to 1.5% in 2018.
 - Canada's economic growth rate projection saw some upswing for this year and 2018, putting it at or near the top of the heap among advanced economies. It is estimated that the country will expand by 3%, ahead of all the other Group of Seven (G7) countries, with the United States coming second.
 - Across in the US, the IMF projects the economy is projected to expand at 2.2% in 2017 and 2.3% in 2018. The projection of a continuation of near-term growth that is moderately above potential, reflects very supportive financial conditions and strong business and consumer confidence. Even though the IMF cut its forecast for the United States, the IMF still noted that growth is "above trend" and certainly better to last year's 1.5% growth.
 - Latin America & the Caribbean will likely see an expansion of 1.2% in 2017, a slight increase of 0.1% when compared to July's update. Brazil will see growth of a mere 7% in 2017 whilst Mexico is expected to register 1.2% in the same period.

World Economic Outlook (WEO) October 2017 Projections

(Percent change, unless noted otherwise)

	2016	Projections		Difference from July 2017 WEO Update ¹		Difference from April 2017 WEO ¹	
		2017	2018	2017	2018	2017	2018
World Output	3.2	3.6	3.7	0.1	0.1	0.1	0.1
Advanced Economies	1.7	2.2	2.0	0.2	0.1	0.2	0.0
United States	1.5	2.2	2.3	0.1	0.2	-0.1	-0.2
Euro Area	1.8	2.1	1.9	0.2	0.2	0.4	0.3
Germany	1.9	2.0	1.8	0.2	0.2	0.4	0.3
France	1.2	1.6	1.8	0.1	0.1	0.2	0.2
Italy	0.9	1.5	1.1	0.2	0.1	0.7	0.3
Spain	3.2	3.1	2.5	0.0	0.1	0.5	0.4
Japan ²	1.0	1.5	0.7	0.2	0.1	0.3	0.1
United Kingdom	1.8	1.7	1.5	0.0	0.0	-0.3	0.0
Canada	1.5	3.0	2.1	0.5	0.2	1.1	0.1
Other Advanced Economies ³	2.2	2.6	2.5	0.3	0.1	0.3	0.1
Emerging Market and Developing Economies	4.3	4.6	4.9	0.0	0.1	0.1	0.1
Commonwealth of Independent States	0.4	2.1	2.1	0.4	0.0	0.4	0.0
Russia	-0.2	1.8	1.6	0.4	0.2	0.4	0.2
Excluding Russia	1.9	2.9	3.3	0.4	-0.2	0.4	-0.2
Emerging and Developing Asia	6.4	6.5	6.5	0.0	0.0	0.1	0.1
China	6.7	6.8	6.5	0.1	0.1	0.2	0.3
India ⁴	7.1	6.7	7.4	-0.5	-0.3	-0.5	-0.3
ASEAN-5 ⁵	4.9	5.2	5.2	0.1	0.0	0.2	0.0
Emerging and Developing Europe	3.1	4.5	3.5	1.0	0.3	1.5	0.2
Latin America and the Caribbean	-0.9	1.2	1.9	0.2	0.0	0.1	-0.1
Brazil	-3.6	0.7	1.5	0.4	0.2	0.5	-0.2
Mexico	2.3	2.1	1.9	0.2	-0.1	0.4	-0.1
Middle East, North Africa, Afghanistan, and Pakistan	5.0	2.6	3.5	0.0	0.2	0.0	0.1
Saudi Arabia	1.7	0.1	1.1	0.0	0.0	-0.3	-0.2
Sub-Saharan Africa	1.4	2.6	3.4	-0.1	-0.1	0.0	-0.1
Nigeria	-1.6	0.8	1.9	0.0	0.0	0.0	0.0
South Africa	0.3	0.7	1.1	-0.3	-0.1	-0.1	-0.5
<i>Memorandum</i>							
European Union	2.0	2.3	2.1	0.2	0.2	0.3	0.3
Low-Income Developing Countries	3.6	4.6	5.2	0.0	0.0	-0.1	-0.1
Middle East and North Africa	5.1	2.2	3.2	0.0	0.2	-0.1	0.0
World Growth Based on Market Exchange Rates	2.5	3.0	3.1	0.1	0.1	0.1	0.1
World Trade Volume (goods and services)	2.4	4.2	4.0	0.2	0.1	0.4	0.1
Imports							
Advanced Economies	2.7	4.0	3.8	0.0	0.2	0.0	-0.2
Emerging Market and Developing Economies	2.0	4.4	4.9	0.1	0.2	-0.1	0.6
Exports							
Advanced Economies	2.2	3.8	3.6	-0.1	0.2	0.3	0.4
Emerging Market and Developing Economies	2.5	4.8	4.5	1.0	0.0	1.2	0.2
Commodity Prices (US dollars)							
Oil ⁶	-15.7	17.4	-0.2	-3.8	-0.3	-11.5	0.1
Nonfuel (average based on world commodity export weights)	-1.8	7.1	0.5	1.7	1.9	-1.4	1.8
Consumer Prices							
Advanced Economies	0.8	1.7	1.7	-0.2	-0.1	-0.3	-0.2
Emerging Market and Developing Economies ⁷	4.3	4.2	4.4	-0.3	-0.2	-0.5	0.0
London Interbank Offered Rate (percent)							
On US Dollar Deposits (six month)	1.1	1.4	1.9	-0.2	-0.3	-0.3	-0.9
On Euro Deposits (three month)	-0.3	-0.3	-0.3	0.0	-0.1	0.0	-0.1
On Japanese Yen Deposits (six month)	0.0	0.1	0.2	0.1	0.1	0.1	0.2



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