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International

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Economic Alert: IMF Lower Growth Forecasts for US and UK

On 23 July, 2017 the International Monetary Fund (IMF) released its economic forecasts in its World Economic Outlook (WEO).

The Fund maintained its global growth projection of 3.5% for 2017 and 3.6% in 2018, however the unchanged global growth projections “mask somewhat different contributions at the country level.”

- Growth for the US has been revised downwards, to 2.1% in 2017 and 2018, down from April 2017’s forecasts of 2.3% and 2.5% in 2017 and 2018 respectively. The major reason for the lower 2017 forecast is the weaker growth outturn during the first quarter of 2017, while the 0.4 percentage point drop in 2018 reflects the view that fiscal policy will be less expansionary than previously assumed. The Trump administration has targeted growth of 3% since assuming office.
- Over in Europe, the IMF also slashed its growth projection for the UK, citing the weaker economic performance since the Brexit vote in 2016. The Fund now expects that the UK will grow by 1.7% in 2017, down from the 2% forecasted in April 2017. Economic growth forecast for 2018 remained unchanged at 1.5%. During the first quarter of 2017, the UK registered growth of 0.2%, the slowest growing advanced economy and a sharp slow from the 0.7% recorded in the preceding quarter. Contrastingly, the outlook for other European countries are more upbeat, with projections revised upwards for France, Germany, Italy and Spain as growth in the first quarter beat expectations.

In the Emerging and Developing Economies, the IMF foresees growth edging higher in the coming years, moving from 4.3% in 2016 to 4.6% in 2017 and 4.8% in 2018, marginally higher than the projections published in its April 2017 WEO.

- Economic growth in China is projected at 6.7% in 2017 (slightly higher than the 6.6% forecasted in April 2017) and expected to moderate slightly to 6.4% in 2018 (0.2 percentage points higher than April's forecast). The upward revision in 2018 reflects the Fund's views that the Chinese authorities will delay the fiscal adjustment to meet their target of doubling 2010 real GDP by 2020.
- Both Argentina and Brazil are anticipated to exit their recession. Both Brazil and Mexico posted a strong first quarter performance which has led to the upward revision of both countries' growth projection in 2017.

FIGURE 1: Risks and Policy Priorities



Source: International Monetary Fund

Table 1: Overview of the World Economic Outlook Projections

	<i>Year on Year % Change</i>					
	Estimate		Projections		Difference from April 2017 WEO Projections	
	2015	2016	2017	2018	2017	2018
<i>World Output</i>	3.4	3.2	3.5	3.6	0.0	0.0
<i>Advanced Economies</i>	2.1	1.7	2.0	1.9	0.0	-0.1
<i>United States</i>	2.6	1.6	2.1	2.1	-0.2	-0.4
<i>Euro Area</i>	2.0	1.8	1.9	1.7	0.2	0.1
<i>Germany</i>	1.5	1.8	1.8	1.6	0.2	0.1
<i>France</i>	1.1	1.2	1.5	1.7	0.1	0.1
<i>Italy</i>	0.8	0.9	1.3	1.0	0.5	0.2
<i>Spain</i>	3.2	3.2	3.1	2.4	0.5	0.3
<i>Japan</i>	1.1	1.0	1.3	0.6	0.1	0.0
<i>United Kingdom</i>	2.2	1.8	1.7	1.5	-0.3	0.0
<i>Canada</i>	0.9	1.5	2.5	1.9	0.6	-0.1
<i>Emerging Market and Developing Economies</i>	4.3	4.3	4.6	4.8	0.1	0.0
<i>Russia</i>	-2.8	-0.2	1.4	1.4	0.0	0.0
<i>China</i>	6.9	6.7	6.7	6.4	0.1	0.2
<i>India</i>	8.0	7.1	7.2	7.7	0.0	0.0
<i>Latin America and the Caribbean</i>	0.1	-1.0	1.0	1.9	-0.1	-0.1
<i>Brazil</i>	-3.8	-3.6	0.3	1.3	0.1	-0.4
<i>Mexico</i>	2.6	2.3	1.9	2.0	0.2	0.0

Source: International Monetary Fund



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